

**Tax Compliance in Immigrant Communities:
Bangladeshis in the UK**

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Abstract

This thesis employs Bourdieu's theory of practice to explore small immigrant business owners' adaptation to the host country's income tax system. In doing this, the thesis applies a sociological perspective in the theorizing and study of their tax compliance behaviour. Drawing on a survey (N=101) and in-depth interviews (N=27) with Bangladeshi family business owners and their tax advisers in the UK, this thesis demonstrates that immigrant business owners' engagement with the host country's tax system is grounded in the sociocultural status they inherit from their country of origin, even though their social class positions in the new society unconsciously condition and impact on how they practise tax compliance. Findings suggest that the power relations inherent in the tax professional-taxpayer relationship act as a critical factor in the reproduction and transformation of immigrant business owners' moral disposition towards compliance with tax laws. The thesis argues that the ways small Bangladeshi family business owners think, feel and act in their approach to tax compliance is likely to differ not only from those of native business communities but also from those of other immigrant communities in the UK.

Dedication

To Sabina

*for remaining by my side for nearly thirty-five years as
my chief sounding board,
my chief critic, and
my true partner in life.*

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Praise belongs to God, the Lord of all Being.

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CHAPTER I

INTRODUCTION

1.1 Introduction and Statement of the Problem

This thesis is about how small immigrant family businesses deal with the tax compliance challenges posed by the income tax system of the host country. In particular, it employs Bourdieu's theory of practice to examine the tax compliance perceptions and behaviours of small Bangladeshi family businesses in the UK. Understanding immigrants' tax attitudes is an increasingly important area for tax research in immigrant-receiving countries, given the impact it may have on these countries' income tax systems. The knowledge gained from this thesis should inform the operations of tax administrations and government agencies, so that they may better respond to the tax assistance needs of immigrant communities and encourage compliance from these communities.

Paying taxes according to prescribed tax laws is a challenging task. For an immigrant taxpayer, paying taxes is far more challenging than for a local-born taxpayer, because of the differences between tax legislation and cultural values in the former's homeland and that of the hostland (Yuan et al., 2013; Yong, 2011; de Vries, 2007; Fix and Pixel, 1994). The Latino small business owner's perception of the US tax system, "Here one needs a license for everything, and *pays taxes* for everything, which isn't the situation in El Salvador," signifies how strange the host country's tax system may seem when compared with the one "back home" (Delgado, 2011:87). Similarly, an Indian family business owner's comment on the New Zealand tax system, "I mean GST, PAYE, company tax and FBT, those are huge burdens on running a business," reflects how frustrating tax

compliance can seem for an immigrant business (de Vries, 2007:79). Cullis et al. (2012) argue that differences in national fiscal identity is an important factor in explaining the differences in people's willingness to pay income tax.

Tax regulations and engagement with the tax system are not only a concern for immigrant communities to developed countries, but also for immigrants to developing countries. In a comparative study among the African, Indian and European ethnic communities in South Africa, Mitchell (2012) finds that complex tax regulations are perceived as the most problematic policy areas for immigrant businesses in all communities, along with access to accounting and record-keeping advice – a finding that also applies to ethnic businesses' perceptions in New Zealand (Yong, 2011).

In consideration of the significant contribution immigrant businesses make to public revenues, and the employment they create, it is worthwhile asking the question – How do immigrant businesses manage their compliance with tax laws? Tax compliance has been studied from different perspectives and viewpoints such as economics, sociology, psychology, and law (Onu and Oats, 2015; discussed in detail in section 3.4) and different factors such as age, gender, religion, education, and culture (Milliron, 1985; Alm and Torgler, 2006; Morris and Lonsdale, 2004); but there has been little attempt to understand it from the viewpoint of immigrant communities in either developed or developing countries.

1.2 Motivation for the Research

This section identifies the factors that motivate the research undertaken in this study and discusses their importance as research topics. Three different yet interconnected factors motivate the research setting. First, family businesses are the most prevalent and pervasive form of business, representing 50-90% of GDP

in almost all economies (Rayney, 2013); but the research on them, particularly about their tax compliance attitude is very limited. Second, immigrants in developed and developing countries are mainly engaged in small businesses, most of which are owned and run by the family members. Third, immigration and its contribution, of which tax compliance and tax payment is one, is a major concern for many immigrant-receiving countries as reflected in the 2016 Brexit vote in the UK. To explore the tax compliance attitudes of the immigrant communities, Bangladeshis, who constitute an important segment of the growing immigrant population in the UK, can be used as a case study.

These three factors are discussed in the following three sub-sections, where sub-section 1.2.1 discusses the motivation for focusing on family business/small business, sub-section 1.2.2 highlights the importance of immigration and immigrant businesses in the host society and finally sub-section 1.2.3 discusses the reasons for choosing the Bangladeshi immigrant community as the case.

1.2.1 Why Family Businesses?

Family businesses dominate the economic landscape of almost all economies. In the UK, family businesses account for two-thirds of all businesses, which means they account for 71% of all SME businesses (BIS, 2014). Looking elsewhere, family businesses constitute 80% of all businesses in Canada and 90% of all companies in the United States (Feltham et al., 2005). In India, 16 family groups make up 65% of all private sector assets (Rouvinez and Ward, 2005). One defining characteristic of small businesses is their intricate connections to family and strong belief in the benefits of family business dynamics (de Vries, 2007). Ethnic minority small businesses are more likely to be owner-operated than businesses owned by the natives, with, for example, 21% of Bangladeshi

businesses and 33% of Pakistani businesses being owner-operated, compared to 13% of businesses owned by UK natives (IPPR, 2007).

Research on family business is comparatively young (Nam and Herbert, 1999), and research on their tax compliance behaviour is even younger. Review of extant literature indicates that the tax research on family businesses has mainly focused on inheritance tax (Rouvinez and Ward, 2005; Tsoutsoura, 2015; Corbetta and Montemerlo, 1999; Block, 2010). The dearth of taxation research in family businesses leads to Chrisman et al.'s (2003:31) question: "Do family firms do accounting differently? Would they tend to understate profit to lower tax payments?" Similarly, Shanker and Astrachan (1996:117) raise the question: "If family businesses represent 90% of all US businesses, how much in total taxes do they pay?"

1.2.2 Importance of the Immigration Context

In today's world, where the number of international migrants continues to increase, reaching to 244 million in 2015 (United Nations, 2015), an appreciation of their tax compliance behaviour is crucial¹. The UK is a common destination for immigrants from around the world, hosting 9 million of them and making it one of the most ethnically diverse countries in Europe. Non-native ethnic groups, including white Europeans, make up 14% of the UK population, with South Asians (Indians, Pakistanis and Bangladeshis) maintaining a high position on the list (Office of National Statistics, 2011).

¹ In the literature, there is no distinction between immigrant and ethnic minority businesses (Panayiotopolous, 2006). Rath (2000) comments that immigrants make up ethnic minority groups, and their activities, economic and social, are based on their ethnicity.

Immigrant communities own about 7% of the small and medium sized enterprises in the UK (Donut, 2014) and 62% of them are family owned. Immigrant businesses contribute £25 billion, including tax and other forms of contribution, annually to the UK economy, and most of these are owned by Indian, Bangladeshi, Pakistani or Black African immigrant families (Department for Communities and Local Government, UK, 2013).

How immigrants adapt to the host country's tax requirements, interact with the tax system, and use available social agencies on tax advice are concerns cited by a number of tax researchers (Yuan et al., 2013; Yong, 2011; Delgado, 2011). A unique feature of immigrant businesses is that they evolve with the experiences and solidarity of small groups of people within or beyond the family (Janjuha-Jivraj, 2003; Mitchell, 2012). To understand the tax-paying mentality of immigrants in developed countries, some studies have looked at the contribution they make and the benefits they receive from public coffers (Dustmann et al., 2010; Wang and Lo, 2000; Akbari, 1989; Simon, 1984; Fix and Passel, 1994). What these studies have not focused on is the way immigrants connect with, and maintain an interface with, the new tax system in their everyday business lives.

The forms of assistance needed, and the challenges faced by the immigrant and native businesses are not the same (elaborated in section 2.4). Starting and managing businesses is far more difficult for immigrants than for natives. In recognition of the financing needs of disadvantaged communities in the UK, there are tax incentives schemes, for example Community Investment Tax Relief (Department for Communities and Local Government, 2013). Another UK tax aid,

the Office of Tax Simplification², addresses tax complexity issues as a common problem for all businesses, starting with a focus on small businesses. However, there exists no such scheme specifically designed to orientate immigrant communities' engagement with the UK's tax system.³ It is likely that the common ethno-cultural and socio-economic backgrounds of immigrant businesses in many respects influence the perceptions⁴ of tax compliance of those who run them.

1.2.3 Why Bangladeshis?

Bangladeshi immigrants constitute 3% of the non-UK born population and 10% of immigrants from Asia and the Middle East (ONS, 2011). They are one of the fastest rising business communities in the UK, owning a significant share of restaurant and catering services (Wood et al., 2012). Out of the 8,500 Indian restaurants in the UK in 2012, 7,200 were owned by Bangladeshis, and their cuisine has become a staple part of the British national cuisine (Thaker and Barton, 2012). It is believed that Bangladeshis and the other four largest ethnic minority groups in the UK (Indian, Pakistani, Black African and Black Caribbean) will double in size by 2050 (Donut, 2014).

As an immigrant community, Bangladeshis have the lowest employment rate, with 44% being employed, 8% unemployed and 48% inactive, not part of the

² The Office of Tax Simplification, established in the UK in 2010, and charged with addressing the problems of complexity in the tax system, has as one of its primary goals the simplification of tax for small and micro-businesses (HM Treasury, 2016).

³ The UK has the longest tax code in the world. It overtook that of India in 2010, having trebled in size since 1997, and has more than 17,000 pages (Jelf, 2010; The Guardian, 2015).

⁴ Perceptions of tax compliance means the way taxpayers capture and understand the social and economic realities of income tax payment (Sheffrin and Triest, 1992) Taxpayers may view income tax payment unfair in terms of the reward and punishment and administrative process of the tax system which is likely to discourage their compliance with tax obligations. Their perception of tax compliance can also be affected by the belief that the tax system is unfair and the benefits they receive against the contribution made are not equitable (Chau and Leung, 2009).

labour force including pre-school children, students, pensioners and housewives (IPPR, 2007). Of the economically active Bangladeshis, 21% are self-employed, mainly because the jobs they have access to are underpaid. Bangladeshis tend to have a larger family size than the UK national average which makes it easier to open a family business (IPPR, 2007). Research on the income tax payment behaviours of the Bangladeshi small family business community can be a good start to predict the tax compliance of the immigrant family businesses in general.

1.3 Aims and Objectives of the Study

As discussed in the previous section, and given the gap identified in the literature, the main objective of the study was to explore income tax compliance, and the management of tax risk, by small immigrant businesses in the context of a developed country. The specific objectives were:

1. To identify the aspects of tax compliance most problematic for Bangladeshi family businesses in the UK, and to understand these businesses' perceptions of tax system complexity.
2. To examine the extent of the dependence on tax advisers of Bangladeshi family businesses in the UK, and the nature of the relationship between the two parties in relation to the latter's management and achievement of tax compliance.
3. To explore the tax habitus of Bangladeshi immigrant businesses in the UK by examining the socio-economic and ethno-cultural factors influencing attitudes to tax compliance in the host country.

Keeping these objectives in mind, the study would review the extant literature on income tax compliance in general, and would focus on the taxation of small businesses, to which group most immigrant businesses belonged. The study was

intended to contribute to an understanding of the underlying stories of how small immigrant businesses managed tax compliance in the host society, looking particularly at the case of small Bangladeshi family-owned businesses in the UK.

1.4 Research Question and Methodology

The research would identify the problematic areas of tax compliance and look at how these were managed by the small immigrant family businesses. It would investigate the underlying reasons why some areas of tax compliance were more problematic than the others, the extent to which immigrant businesses depended on professional tax advisers to solve these problems, and the way the relationship between businesses and advisers evolved. It would also explore the nature of tax habitus of the Bangladeshi small business owners in the UK. So, this thesis effectively has three main research questions with five subsidiary questions under main research question one and two, the answer to which is believed to contribute to the answer of the related main research question.

Main Research Question 1

Is Bangladeshi small family businesses' engagement to the UK tax system problematic?

Subsidiary questions to main research question 1

(I) What aspects of tax compliance are most problematic for small Bangladeshi family businesses in the UK?

(II) How do small Bangladeshi family businesses perceive the UK tax system and its complexity?

Main Research Question 2

How is tax risk managed in the Bangladeshi small business community?

Subsidiary questions to main research question 2

(III) How do small Bangladeshi family businesses manage tax risk?

(IV) To what extent do small Bangladeshi family businesses rely on tax advisers?

(V) What is the nature of the relationship between the small Bangladeshi family businesses and their tax advisers?

Main Research Question 3

What is the tax habitus of small Bangladeshi family businesses in the UK?

The main and subsidiary research questions listed above were formulated after an appraisal of the extant literature on tax compliance. The socio-economic and ethno-cultural factors associated with these questions and the data analysis methods will be discussed in chapter 5. Then, in a set of empirical chapters – 6, 7 and 8 – the questions will be answered. The first main research question having two subsidiary questions, of which the first one focuses on the most problematic areas of immigrant family business tax compliance, and the second subsidiary question, on their perception of tax system complexity, will be answered in Chapter 6. The second main research question having three subsidiary questions, 3 to 5, will be dealt with in Chapter 7. And the third main research question that investigates the nature of tax habitus of Bangladeshi family businesses will be dealt with in Chapter 8.

This study applied a mixed-method approach for data collection. First, a quantitative inquiry was undertaken in a questionnaire survey of sample small immigrant businesses, and this produced data that was analysed using statistical techniques. Second, a qualitative approach, in the form of semi-structured interviews, was conducted, and the data collected was analysed by interpretation.

The study had the limitations common to all questionnaire surveys. A complete discussion on limitations will be given in Chapter 5, Section 14.

Thus, the aim of the study was not only to determine the frequency of tax compliance problems for immigrant family businesses, but also to interpret the compliance practices taken by those interviewed using Bourdieu's theory of practice as the theoretical lens. The aim was to provide a rich picture of the Bangladeshi family business community, their economic and social circumstances, family links and educational attainments, and to find out how they perceived and managed their tax compliance activities. Bourdieu's theory has been widely used for understanding the social and economic practices of ethnic communities, and the problems of relationships and conflicts that arise among them (discussed in detail in chapter 4).

In taxation and accounting studies, Bourdieu is increasingly being used to illuminate these subjects (Oats and Morris, 2015; Gracia and Oats, 2012; Kraal, 2013; Picciotto, 2007; Glover, 2010; Swedberg, 2011). Bourdieu's framework is a trio of interconnected constructs of habitus, capital and field. Simply stated, habitus relates to the mental and cognitive structures that influence the way in which individuals perceive and react to the social world around them; capital relates to the intrinsic value of assets owned by individuals, exchangeable or non-exchangeable; and field refers to the social space where individuals from all social, cultural and economic classes exist and interact with one another. Each of these concepts would be applied to the investigation into how Bangladeshi small businesses organized themselves to responded to their tax compliance obligations.

1.5 Scope of the Study

The study looked at the income tax compliance (henceforth termed 'tax compliance') problems that immigrant businesses faced, and the way they managed these. The focus of the study was small businesses owned by families in the Bangladeshi community in the UK, and particularly their attitudes to tax system complexity and tax risk, and the nature of the relationship they maintained with tax advisers. For an enhanced understanding of these problems, both the immigrant communities' and the tax advisers' viewpoints were investigated.

Since the unit of study for this research was small businesses owned and managed by the immigrant families, the research did not investigate non-family-owned small businesses; nor did it look at any medium sized businesses. The study limited itself to consideration of the Bangladeshi community across the major cities of the UK, and consideration was not given to other ethnic communities. Focus on one ethnic community may affect the generalizability of the study findings, yet the study conclusions are believed to be robust because of the similarities in difficulties immigrant communities encounter in the host society.

Therefore, a review of the cultural, social and economic practices of, and the status of, the Bangladeshi community in the UK was needed in order to understand how Bangladeshi business people developed their perceptions of tax complexity and managed their tax compliance. The study also briefly reviewed tax practice in these people's homeland, i.e., in Bangladesh, so as to give an account of their pre-migration tax compliance experiences, since these might have affected their views on the complexity of tax systems in general, and that of

their newly adopted country in particular. The thesis will make a brief presentation on these two topics in Chapters 2.

1.6 Significance of the Study

Before my study, tax compliance had been studied from within a wide range of academic disciplines. Modern tax compliance scholarship began with Gary Becker's (1968) seminal work on the economic behaviours of crime and punishment, which were later modelled by Allingham and Sandmo (1972). While economists (Becker, 1968; Allingham and Sandmo, 1972; Andreoni et al., 1998) focused on the sanctions and punishments devised to enforce tax compliance, psychologists (Song and Yarbrough, 1978; Grasmick and Scott, 1982) emphasised people's sense of shame, guilt and stigma, they experienced from tax non-compliance; and sociologists (Jenkins and Forlemu, 1993; Chau and Leung, 2009) looked at people's perception of how others obeyed social norms and practices. In addition to these scholars, political scientist, accountants, legal scholars and organizational scholars all had their own ideas as to what would promote higher tax compliance (Katz and Bommarito, 2014; James, 2007; Duff, 2008; Picciotto, 2007).

None of the above academic disciplines, however, had made a sufficiently convincing argument, despite the variety of evidence they had presented, about the problems of tax compliance within different tax-paying communities. Nor was there a 'one size fits all' approach that explained how tax compliance might be achieved for taxpayers from different cultures and beliefs. For example, civil penalty as an enforcement tool was found to have increased tax compliance in Guatemala when it was reduced, but to have decreased tax compliance in Costa Rica when it was increased (Maxwell, 1998). There existed evidence that some

people would comply with tax obligations even if there was no probability of being caught attempting non-compliance (Andreoni et al., 1998).

Against this background, the present study is important because tax compliance problems vary with respect to variations in taxpayers' socio-economic and cultural identity. Torgler (2004) argues that many of the differences in their attitudes to tax systems between Costa Rican and Swiss taxpayers can be explained by the cultural differences between these two countries. Similarly, the higher tax morale in the US, as compared to European countries, is attributable to a sturdy base of religious and social capital, along with strong democratic practices and trust in government (Alm and Torgler, 2006).

The present study considered the impact of the cultural and social capital of Bangladeshi small businesses in their conceptualization of tax obligations and their networking with the wider community, especially with tax advisers. It was intended to give the reader a deeper understanding of the tax compliance practices observed in an ethnic community, which, it was believed, would make an original contribution to tax compliance scholarship.

The study was intended not only to fill a gap in the literature in relation to how immigrant businesses adapted to the tax system in a new country, but also to show how immigrants running businesses integrated socially and economically into a host country. Alienation from the mainstream society, the stigma of being an outsider and the difficulties in accessing to information and capital are some of the common challenges for the immigrant communities (elaborated in section 2.4).

Investigating the tax compliance practice of immigrant communities is important in a world of mass migration. Research has suggested that immigrants pay more

in taxes than the value of the public services they receive, and they are not considered a drain on the public coffers in major immigrant-receiving countries like the UK and the USA (Dustmann et al., 2010; Fix and Passel, 1994; Wang and Lo, 2000). In the tax year 2003-4, all immigrants, business and individuals, paid £41.2 billion in UK tax and made a net fiscal contribution of approximately -£0.4 billion (Rowthorn, 2008). However, the net contribution from non-EEA immigrants became negative during 1995-2011 (Dustmann and Frattini, 2013). It should be mentioned here that this study did not focus on the tax compliance issues of the immigrant communities for the 1995-2011 period. But it was hoped that, by looking at tax compliance of a specific year, might shed some lights on why contributions to the public exchequer from the immigrants had fallen.

The findings of the study are likely to have a practical bearing on the achievement of both higher tax revenues and flexibility in the tax system for the UK. The UK hosts the fourth largest number of international migrants; and Bangladeshis are the fifth largest diaspora community in the world (United Nations, 2015). Historically, the UK and Bangladesh have maintained strong ties in the fields of trade and commerce and cultural exchange. In the fiscal year 2012-13, Bangladesh received export proceeds of USD 2.764 billion from the UK, which was 10.23% of the total export receipts of the country. Bangladesh also received nearly USD 1 billion in remittances and USD 45 million of foreign direct investment (FDI) from the UK (UKBCCI, 2015). To resolve tax compliance problems on both sides, UK-Bangladesh double-taxation treaties have been in force since 1980. The UK has also provided significant technical and economic assistance for the introduction of tax administration reforms in Bangladesh (Akhand and Hubbard, 2012). It was hoped that studying the compliance habits of the Bangladeshi diaspora in the UK might open new dimensions in tax policy

management and treaty-making at both domestic and international levels. Moreover, the study may help make the policy action necessary to support their integration into the tax system. Finally, the study's concentration on family businesses – an important segment of the small business community – would provide an insight into the unique features of small business taxation.

1.7 Structure of the Thesis

This thesis is divided into nine chapters, each of which touches on different aspects of the study to answer the research questions.

Chapter 1 gives an outline of the research problem, its aims and objectives. It sets out the research question, the methodology and theoretical framework adopted; and it discusses the scope and significance of the study.

Chapter 2 provides the background of the study. It also offers a brief overview of Bangladeshi culture, and of tax compliance in Bangladesh.

Chapter 3 reviews previous knowledge of immigrant businesses' tax compliance and identifies the gap in this knowledge that the research study sought to fill. The chapter has mainly four sections. The first section reviews immigrant family businesses as a business community, their significance, and their contribution to society. The second section discusses tax system complexity, its nature and types with a focus on the UK tax system. The third section looks at general theories of tax compliance and the complexity of tax requirements. And section four deals with approaches to tax risk and its management and the role that tax advisers play in managing such risk.

Chapter 4 presents the theoretical framework of the study. It summarizes and evaluates the theory of practice of Pierre Bourdieu, and justifies the relevance and contribution of this theory to the understanding of the research problem.

Chapter 5 describes the methodology of the study, the data that was collected, and the analytical techniques applied to it. It sets out the research questionnaire and presents an analytical framework to show how the main and subsidiary research questions were answered.

Chapter 6 identifies the aspects of the tax system that are most problematic for immigrant businesses' tax compliance. This chapter also provides an overview of immigrant businesses' perception of tax system complexity and of how those perceptions problematize their engagement with the tax system. A wide range of socio-economic and cultural issues are analysed to explore how such perception-building is associated with business families' status in the host country.

Chapter 7 addresses the tax risk management practices of immigrant businesses and the extent to which these businesses depend on tax advisers to mitigate the problems they encounter. It explores the nature of the relationship between immigrant businesses and tax advisers as they seek to resolve tax risk issues.

Chapter 8 explores the tax habitus of small Bangladeshi family business owners in the UK and the ways they produce tax compliance in their everyday lives. It examines the social fields, the volumes and forms of capitals possessed by small Bangladeshi businesses owners and their impact on developing tax compliance practice.

Chapter 9 spells out the conclusion of the thesis and highlights the contribution it makes to the field of knowledge. It discusses the policy implications of the study and indicates its limitations and the scope for future research.

CHAPTER II

BACKGROUND TO THE STUDY

2.1 Introduction

The purpose of this chapter is to give an account of immigrant businesses in the UK. It is divided into four sections mainly. The first section discusses the characteristics of the UK immigrant businesses, the contributions they make and the challenges they face in doing business. The second section reviews Bangladeshi family businesses and their significance in UK society. The third section presents a brief overview of the challenges of immigrant businesses. The fourth section discusses small business tax compliance practice in Bangladesh and the major hurdles for successful small business taxation in that country. Teasing out the nature and characteristics of immigrant businesses will point up the gap in the relevant body of knowledge that led to the generation of the research question for this study.

2.2 Immigrant Businesses in the UK

The entrepreneurial activity rate among immigrants is very high: 16% among first-generation immigrants in comparison with 9% among UK-born entrepreneurs (GEM, 2015). This picture is similar to that painted by Chang et al. (2009:289): “Hispanic immigrants are more likely to start businesses than Hispanics who are already American citizens”. Immigrant entrepreneurs have founded or co-founded nearly half a million, i.e., one in seven, of all companies in the UK (CEF and Deudil, 2014), and in 2014 they owned 7% of UK SME businesses. Immigrant businesses not only create employment for themselves, they also employ English natives.

2.2.1 Characteristics of UK Immigrant Businesses

Immigrant businesses in the UK, and elsewhere, can be identified with the following business, managerial and ownership characteristics:

The initial customer base of immigrant businesses is confined to their own community. Immigrants tend to start businesses with ethnic goods, for example, rice, fish, and newspapers in their native language (Kloosterman et al., 1999). However, as a business grows, its customer base can be diversified, reaching beyond the community to others with similar religious or historical backgrounds. With a common historical background in the Indian Subcontinent, Bangladeshi, Pakistani and Indian communities in the UK are engaged in family, social and business relationship (Dale, 2008).

Among UK Asian communities, family participation in businesses is common practice for several reasons. First, appointing an outside employee is expensive. Second, finding a job is difficult. Third, for social and religious reasons, husbands want their wife to be employed within the family boundary in a light clerical job. Inability to speak good English is another barrier to many spouses working outside family firms (Basu and Altinay, 2002).

Immigrants in the UK are driven to working in businesses by both economic (the desire to earn money) and non-economic (independence, status) motives, as well as by labour market discrimination (Watson et al., 2000; Basu and Altinay, 2002). The following poem, by Sook Ryul Ryu (cited in Park, 1997:36), illustrates the ethnic dilemma and the gravitation to small businesses of Korean Immigrants in the US.

*“My brother who has master’s degree in English literature
thinks about Norman Mailer’s American Dream
while selling fishes and vegetables to his white neighbours
24 hours a day.
My sister, who liked the paintings of Pablo Picasso’s Blue
Period, is working on a sewing machine, with dyed blue
Hair.”*

Immigrants find it difficult to adjust to the institutional and regulatory framework of the host country. Distressing experiences within the formal structures may push them to seek business support and advice from the informal sector and largely depend on ‘cash-flow and turnover rather than margin’ (Halkias and Adendorff, 2014: 85). Sepulveda et al. (2008) find that immigrant businesses in the UK depend on informal sector advisers⁵ to help them avoid the difficulties of the regulatory and financial systems. Similarly, Kloosterman et al. (1999) find that the difficult tax, accounting and financial systems in the Netherlands lead many immigrant businesses to depend on informal sector advice.

Immigrant businesses are found to be unique in deriving social capital from diverse international networking, which gives them an edge over non-immigrant businesses. For suppliers, clients, workers and investors of capital, immigrant businesses exist in an embedded relationship with community people and firms (Rath, 2000; Halkias and Adendorff, 2014).

2.2.2 The Mix of Immigrants and Immigrant Businesses in the UK

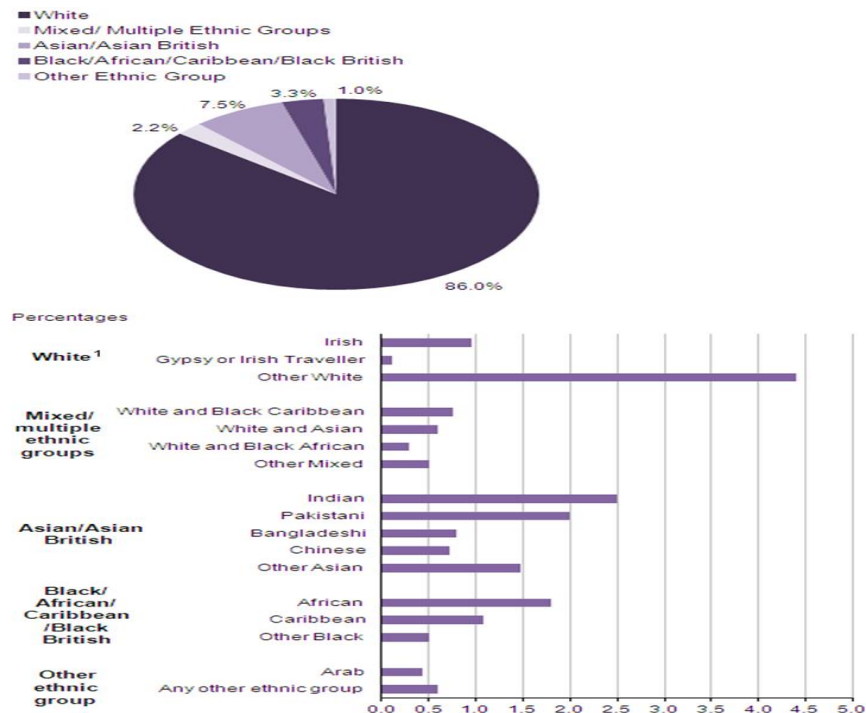
The UK is a settler society with a long history of immigration. The latest surge of immigrants in the UK began slowly after the Second World War and increased to an unprecedented scale in the late 1990s (Migration Watch, UK, 2016). Even if

⁵ Seeking advice or support on business start-up, finance, and taxes “through the entrepreneur’s personal network, notably by friends, relatives, acquaintances and community members who have greater business experience” rather than institutional advisers like local authorities, advice bureaus, and banks (Sepulveda et al.,2008:16).

the UK comes out of the European Union, there is some doubt about how much control of immigration will be possible in a post-Brexit Britain, if the free movement of British goods and services in the EU market remains the choice of the UK government (Oxford Migration Observatory, 2016).

In terms of ethnic background, the UK population can be classified into four groups: white, mixed, Asian and African (ONS, 2011). The white group includes the Irish, gypsy or Irish travellers, and all other whites, and it makes up 86% of the UK population, as represented in Figure 1.1. Asian immigrants constitute 7.5% of the UK population, and this group is dominated by Indians, Pakistanis and Bangladeshis, while African and Caribbean peoples together form the third largest UK migrant community, which constitutes 3.3%. Besides these groups, there is a small community of Arab and Chinese immigrants, and other marginal immigrant communities from across the world.

Figure 1. 1 Ethnic groups in Britain in 2011



Source: Office of National Statistics, 2011

The term 'immigrant businesses' in the UK refers to those businesses having at least half of their management team made up of people from immigrant communities (Department for Communities and Local Government, 2013). The entrepreneurial ability and the aspirations of immigrants in starting businesses is higher than that of UK-born entrepreneurs: for example, the business start-up rate is 35% for Black African and 28% for Black Caribbean groups, compared with 10% for white British counterparts (Department for Communities and Local Government, UK, 2013).

Immigrant entrepreneurs start their businesses at a younger age than UK born entrepreneurs, and immigrant women have a higher level of business start-ups than the UK population. In some immigrant communities – Thai, Filipino and Vietnamese – female entrepreneurs outnumber male entrepreneurs (CEF and Deudil, 2014). The Oxford Migration Observatory report for 2014 suggests that the percentage of highly educated recent immigrant workers, which includes employees, the self-employed and workers in family businesses, increased from 50% in 2007 to 60% in 2013.

Self-employment rates are high among UK immigrants because of their genuine entrepreneurial ability (IPPR, 2007) and, to some extent, because of the social discrimination they face (Ram and Jones, 2008). Kloosterman et al. (1999) comment that first-generation immigrants are largely pulled, and the second generation is pushed, into being self-employed in all countries, due to the lack of employment opportunities and 'discrimination' in the mainstream labour market (Rath, 2000). Others, however, have suggested that the self-employment rate of immigrants depends on their country of origin. Yuengert (1995) finds that United States immigrants from countries with a high self-employment rate are more likely

to be self-employed. Self-employed immigrants are also more concentrated in high-tax states, where self-employment gives them greater opportunities for tax avoidance.

Closely related to this phenomenon is the finding that migrants don't just build up their own businesses; they also build up others' businesses, in both the skilled and the unskilled sectors. Significant innovations made by immigrant business in the UK, for example in biotech firms, have created employment and business opportunities for all business communities. Sayad (1999) comments that what the immigrants bring in is more important to immigrant-receiving countries than what they cost. Knowledge transfer from immigrants and immigrants' businesses have played a key role in developing a wide range of businesses opportunities for mainstream business (Department for Business Innovation and Skills, UK, 2015). Also, the immigrant self-employed sector is a significant source of business and employment for new immigrants (Yuengert, 1995).

2.2.3 Geographical Spread of the UK's Immigrant Businesses

Immigrant businesses are represented in almost all the great cities of the UK. As stated in the 2016 report from the Oxford Migration Observatory, 13% of Britain's immigrants live in the City of London alone. When these are added to those in South East, East and North-West London, the percentage of the immigrant population found in London reaches 47%. The Midlands, both West and East, host 16% of the immigrant population and take second position. The South West, York and Scotland each have an equal percentage, 8% of the immigrant population, while Wales and Northern Ireland are populated by the fewest immigrants. The report reveals that in all cities, except in London and the West

Midlands, the percentage of immigrants from the EU is more than, or equal to, that from non-EU countries.

Table 2. 1 Distribution of the immigrant population across the regions of the UK, by place of birth, 2015

	EU	Non-EU	All
London	30%	41%	13%
South East	13%	12%	14%
Eastern	10%	8%	9%
North West	8%	8%	11%
West Midlands	7%	8%	9%
East Midlands	7%	5%	7%
South West	6%	5%	8%
York	6%	6%	8%
Scotland	6%	4%	8%
Wales	3%	2%	5%
Northern Ireland	3%	1%	3%
North East	1%	2%	4%
Total	100%	100%	100%

Source: Oxford Migration Observatory, 2016

London has always been the most ethnically diverse area of the UK, with the highest proportion of immigrant businesses, as shown in Table 2.1. Minority ethnic groups comprise nearly half of London's population (ONS, 2011), with around 66,000 Black African and minority-ethnic businesses generating a total turnover of £90 billion in 2004 (Sepulveda et al., 2008). In 2002, nearly 19% of all small businesses in the UK were based in London (Basu and Altinay, 2002). In

greater London, a total of 220,637 businesses, almost half of the immigrant businesses in the UK, were founded by immigrants (CEF and Deudil, 2014).

Ethnic and linguistic diversity have brought London huge foreign investment, adding £52 billion to its economy, and creating half a million jobs (Kitching et al., 2007). About London's booming flow of FDI, Kitching et al. (2007:11) comment, "While the crucial importance of access to resources, infrastructure and markets, *a favourable taxation and regulatory framework*, ... should not be underestimated as major influences on FDI... ethnic and linguistic diversity might be a contributory factor in firms' location decisions."

In terms of the geographical distribution of immigrant business, Birmingham, Harrow and Manchester are next to London, followed by Reading, Ilford and Cardiff (CEF and Deudil, 2014). The construction and real estate sectors are the main focus of immigrant businesses, with nearly 50,000 such companies being owned by immigrant businesses. Other business sectors dominated by immigrants are information technology, manufacturing and heavy industry, and management consultancy.

For Asian businesses like those run by Indians and Pakistanis, wholesale and international trading is the main business, while Bangladeshis and Turkish Cypriots are involved in the restaurant and catering businesses (Basu and Altinay, 2002; Thaker and Barton, 2012). Ram and Jones (2008) note that ethnic minority communities are prominently engaged in labour-intensive sectors like retailing and catering: for example, two in five men in Bangladeshi communities in the UK are cooks or waiters (Panayiotopoulos, 2006). This, to some extent, is connected with the availability of family and co-ethnic workers. Ethnic businesses comprise sole-proprietor businesses, family businesses, home-based activities

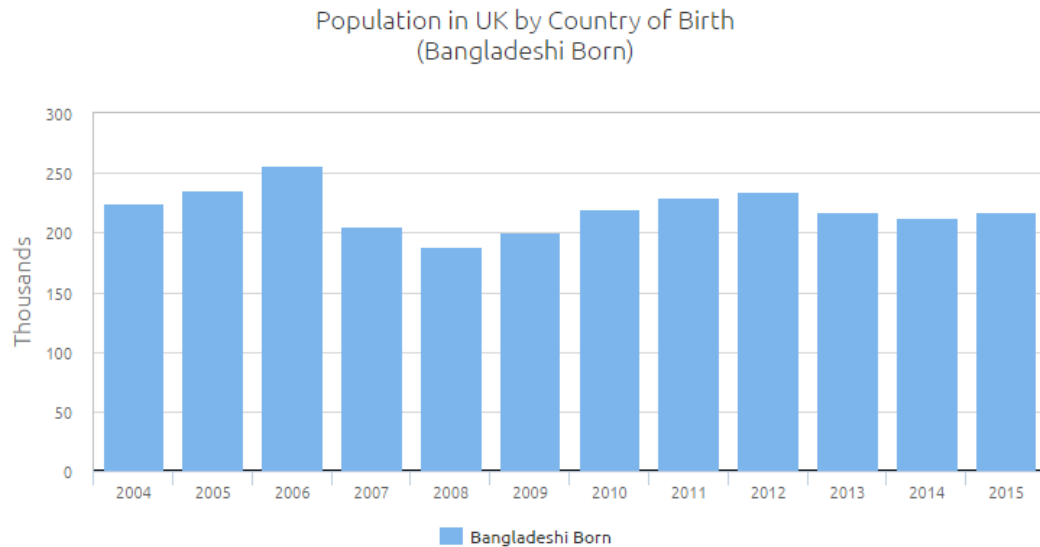
and community activities located around established shopping and market areas (Carney, 2007).

2.3 Bangladeshi Immigrants and Their Businesses

Bangladeshis and other South Asian immigrants are one of the fastest rising business communities in the UK, owning a significant share of restaurant and catering services (Ram and Jones, 2008; Wood et al., 2012). Out of the 8,500 Indian restaurants in the UK in 2012, 7,200 were owned by Bangladeshis, and their cuisine has become a staple part of the British national cuisine (Thaker and Barton, 2012). The reason for ethnic businesses being concentrated in some specific sectors is that they have access to specific ethnic resources, such as cheap and unpaid family labour and trusted supply networks (Wood et al., 2012). Moreover, minorities specialize in trade and commerce in which they have historical experience (Light, 2005). Bangladeshis have been present in the UK catering industry since they first arrived in the country.

In terms of age, Bangladeshi business owners in the UK are young, with an average age of 35.3 compared to 52.1 for British entrepreneurs; and they occupy sixth position in the UK's age distribution profile of immigrant businesses (CEF and Deudil, 2014).

Figure 2. 1 Population of the UK by country of birth (Bangladeshi born)



Source: Migration Watch UK, 2016

According to the Migration Watch report, the number of Bangladeshi-born people in the UK in 2015 was over 200,000, as reported in Figure 2.1. In 2006, there were more than 250,000, but this number has fluctuated during the last ten years. The Bangladeshi community in the UK mainly comprises Sylheties, who came from the Sylhet District of Bangladesh as lascars (cooks) in British ships after the Second World War (Basu and Altinay, 2002). Almost half of Bangladeshi immigrants (47%) arrived in between 1981 and 2000, during the perilous political and economic turmoil following the Bangladeshi war of independence in 1971 and the military coups in 1975 and 1981 (ONS, 2011).

Bangladeshi immigrants constitute 3% of the non-UK born population and 10% of immigrants from Asia and the Middle East (ONS, 2011). Naturally, Bangladeshi immigrants had culinary and hospitality skills from serving as cooks in British ships, and they sought to exploit these when considering setting up a business. Bangladeshi curries are among the most popular dishes in the UK, and until recently 65% of the Tandoori restaurants in the UK were Bangladeshi

(Thaker and Barton, 2012), which makes curries a niche market for Bangladeshi businesses (Wood et al., 2012). Most Bangladeshi immigrants arrived in the UK from the Commonwealth as work permit holders, student migrants, family migrants, asylum seekers and refugees (IPPR, 2007).

Bangladeshi immigrants have strong cultural ties with the Indian and Pakistani communities (Barret et al., 2003). Bangladesh, India and Pakistan, as South Asian neighbours, have a deep cultural and ethnic relationship developed over their thousand years of common territorial borders, before the partition in 1947 (Dale, 2008). Culturally, Bangladeshi immigrants are more akin to Indian immigrants, while in their religious life they have more in common with Pakistani immigrants. One similarity between ethnic Bangladeshi and Pakistani businesses is that both emerge from a situation of disadvantage, having no successful business role models (Wood et al., 2012). Due to their religious beliefs, Bangladeshis and most Muslim communities in the UK depend mainly on their own community for supplies, sales, and financing for their businesses (ONS, 2011). Their scriptures strictly prohibit charging interest on loans, although they take a positive view towards business ownership because prominent figures in Islam were successful entrepreneurs (Wood et al., 2012). Thus, one of the barriers to Bangladeshi entrepreneurs taking finance from banks is interest (Basu and Altinay, 2002). Second, the participation in business of women from the Bangladeshi community is very limited, at only 20%, (Migration Watch UK, 2014), perhaps because of the community's conservative beliefs.

As an immigrant community, Bangladeshis have the lowest employment rate, with 44% being employed, 8% unemployed and 48% inactive, not part of the labour force including pre-school children, students, pensioners and housewives

(IPPR, 2007). Of the economically active Bangladeshis, 21% are self-employed, mainly because the salaried jobs they have access to are underpaid, offering less than the national average wage (IPPR, 2007). Barret et al. (2003:106) comment that “the Bangladeshis ... have a higher involvement in businesses with employees (13.6 percent) than do the less-disadvantaged Indians (8.7 per cent).” Bangladeshis tend to have a larger family size than the UK national average and are the second largest claimants of child benefit, which makes it easier to open a family business (IPPR, 2007). They have very low incomes compared to UK-born people – nearly 80% below the UK-born median – and this is also the case for most Asian and Middle Eastern communities (Migration Watch UK, 2014).

2.4 Challenges and Prospects of Immigrant Businesses in the UK

Each business has its unique situation and special needs (Greenhalgh and Lowry, 2011). Unfamiliarity with mainstream cultural traditions makes it difficult for immigrants to set business strategies and gain acceptance in the wider community. One problem for immigrant businesses is getting access to quality information on business and financial record-keeping. Sepulveda et al.'s (2008:14) comment that, “lack of information on critical aspects for new businesses (i.e. registration procedures and requirements, *taxes*, regulations and red tape in general) and access to relevant business advice”. The bureaucratic and formal approach of support agencies, compliance costs, and the stigma of being an immigrant cause them to avoid formal advice centres (de Vries, 2007; North and Trlin, 2004).

The legal status of immigrants in the UK (IPPR, 2007; Basu and Altinay, 2002) causes them much insecurity in their business and economic activities. Many immigrants are on a temporary visa, which creates problems in running a

business legally and paying proper taxes. Further, their business motives, business experience, educational attainment, religion, and family links create challenges for immigrant businesses (Department for Communities and Local Government, 2013).

To survive in a world of cut-throat competition, cutting costs through “evading payment of taxes, or social contributions or ducking the minimum wage or working- hour regulation” is an often-followed strategy for immigrant businesses (Kloosterman et al., 1999:9). Non-immigrant business owners in Australia equate tax-cheating with Asian and Eastern European immigrants, and they also believe the latter keep shoddy records and invoices and pay wages in cash. The truth, however, is that the Inland Revenue in New Zealand (2014) reports finding a higher proportion of Australian and UK immigrant businesses tax non-compliant than of their Asian counterparts, i.e., Chinese and Indian immigrants.

To reduce taxes in the UK, several independent or semi-independent immigrant businesses may do business under one roof; or a business may sub-contract its activities to nominally self-employed workers, but the name of the principal leaseholder/contractor appears in the documents (Barret et al., 2003).

However, dependence on informal arrangements may not be a cheating, but rather it may be ignorance, inefficiency or simply the response to a tax system that doesn't cater for them. The following comments from a UK immigrant business are worth noting, “I was never afraid of *regulations or taxes*, but you have to deal with taxes and regulations step by step. [Then] when the business grows, when you get to the point that you can pay for [being formal], lawyers and accountants can help you with these things [*taxes and regulations*], but you have to go step by step,” Sepulveda et al. (2008: 27). To orientate the tax system

towards the needs of its customers, and to improve learning about tax, De Vries (2007) asserts there is a need for applied education and the availability of management support to help immigrant businesses with payment of their taxes and the maintenance of books of accounts.

The challenges may be increased if the regulatory cost of compliance with employment, taxation and financial reporting requirements is high. Immigrant businesses are often very carefully monitored “to ensure compliance with regulations, such as VAT, corporate tax, employment related taxes, health and safety and so on” (Watson et al., 2000:86). Significant amounts of tax and other compliance costs may lead immigrant businesses to move into the informal economy to evade tax payment fully (Watson et al., 2000; Light and Bonachich, 1988). Pang (2003) finds that immigrant businesses carry the negative image of tax-evaders because of doing business within the own social and cultural networks. This creates a distance from the native community and generates an “enclave economy⁶”(Panayiotopoulos, 2006:74), or a street economy, as Wacquant (1999) calls it.

The above discussions show that immigrant businesses make a significant contribution to the UK’s economy. However, their owners’ interests and voices are not well reflected in the UK’s financial and regulatory system. Thus, these businesses represent some intentional or unintentional challenges for UK government departments, notably for the tax and revenue bodies. In support of immigrant businesses, UK government departments have undertaken many programmes, from easy access finance to immigrant investment visas. Another

⁶ It is argued that an enclave economy is a vehicle for the upward mobility of ethnic minorities, especially for first-generation immigrants. Employers in the enclave are under pressure to recruit workers and business associates from their own community (Panayiotopoulos, 2006).

welcome item of support would be help in understanding and engaging with the UK's complex tax system. To achieve that objective, HMRC would need to gain more insight into the ways of its migrant business customers, their compliance attitudes, and their interface with tax laws; and it would need to identify issues that would facilitate their tax compliance.

2.5 Taxation in the Homeland: SME Tax Compliance in Bangladesh

2.5.1 Tax System of Bangladesh: A Brief Overview

Homeland culture and ethics strongly influence the collective identity of immigrants in the host country (Shams, 2016). This thesis takes Bangladeshi immigrants in the UK as a case study and explores their tax compliance practices. The historic and ongoing tax compliance practices of Bangladeshis back home may shape their tax perception in the UK. Habits and values acquired in the country of origin do not disappear, or necessarily diminish, as immigrants enter a new society. To better understand the relational and reconstruction process of forming perceptions of tax compliance and risk management, a brief overview of the historical and cultural contexts of the tax ethos in Bangladesh, and of small business tax compliance in particular, is presented in this section.

Modern taxation in Bangladesh was introduced during the era of British colonialism by the Income Tax Act, 1860. When independence from Pakistan came, in 1971, Bangladesh inherited the Income Tax Act, 1922, of India, an amended version of the 1860 Act. After 13 years, in 1984, Bangladesh had a major reform of tax laws and came up with the Income Tax Ordinance, 1984 (ITO-1984), which continues to be the principal statute to govern its direct tax system.

The National Board of Revenue (NBR), an administrative department of the Internal Resources Division (IRD) of the Ministry of Finance, is the highest

revenue authority of Bangladesh, responsible for income tax, VAT and customs operations and policies. The secretary of the IRD is the head of the NBR, known as the Chairman, and is aided by several members of the Board, and field level officers who include commissioners of different ranks and jurisdictions. The field administration is divided into territorial, appellate and specialized units/zones, all staffed by civil servants.

The Bangladeshi income tax structure has a progressive design, starting with a minimum tax rate of 10%, with a threshold of BDT 2,50,000, followed by 15%, 20%, 25% and 30% on the next segments of income for the tax year 2016-2017 (NBR, 2016). There are many exemptions and exclusions of income from tax, and this is believed to affect the progressivity of the tax structure (CPD, 2014). Corporate tax rates are common to all companies, large, small or medium, starting from a minimum of 25% and going to a maximum of 45%, with rate reductions for companies that make initial public offerings (IPOs) on the Stock Exchange and declare dividends. Taxes are mainly collected by the self-assessment system, although administrative assessment is practised and can be used if a taxpayer or the tax administration requires this. Bangladesh has a tax-type administration, and tax office locations are based on geographical distribution. VAT, customs and income taxes are each administered separately, and there is barely any collaboration between these three. Computerization and automation programmes are under way, and both the income tax and VAT departments are being reformed through the Finance Acts and SROs (Mansur et al., 2011).

The tax-to-GDP ratio in Bangladesh in 2001 was 6.6%, and this had increased to 9 percent by 2013, an increase of 2.4 percent in 12 years (World Bank, 2016).

VAT is the major source of tax revenues, followed by income tax and customs and excise, contributing 36.19%, 35.76% and 25.52%, respectively to NBR revenues in the fiscal year 2013-14 (NBR, 2016). Despite tax revenues having increased in recent years, it is still a major concern that the country is far from achieving its revenue potential (Mansur et al., 2011). Bangladesh is one of the world's top recipients of humanitarian assistance, of which the UK alone donated a commendable £157.5m in 2015 (ICAS, 2016). Social security insurance is absent from Bangladesh tax system, and thus no employers have any requirement to pay it (PWC, 2016).

2.5.2 Tax Ethos in Bangladesh

Bangladesh is one of the high-tax-gap countries of South Asia, with its tax gap estimated to be 36% in 2004 (Phua, 2015); and it has a weak tax administration and policy (Hassan and Prichard, 2016). Fewer than 1%, to be exact 0.73%, i.e., 1.1 million, out of its 150 million population submitted tax returns in 2013 (ICAS, 2016). The number of people who paid tax would be less than this, since submission of a tax return does not necessarily entail tax payment. Of the registered taxpayers, 4% pay nearly 40% of the total tax revenue, and 50% pay less than 1% of the tax revenue (Phillips, 2009). Bangladesh is also a country with low tax effort (Daude et al., 2012) and a regressive tax structure (CPD, 2014), and these indicate the inefficiency of the tax system. Moreover, Bangladesh has a large informal sector (Torgler, 2004; CPD, 2014), and many people work in agriculture, which contributes 18.70 % of GDP (BBS, 2015) and is a sector relatively untaxed and tax exempt (Reva, 2015).

However, research has shown that Bangladeshis have good ethical attitudes to tax evasion compared to people in other Asian countries. Ethical attitudes to tax

evasion refers to whether taxpayers view evasion as never acceptable, sometime acceptable or always acceptable (McGee, 2008). Views on tax evasion by age, income, gender or nationality are an indication of moral positions on tax compliance in general. In focusing on the tax compliance practice of Bangladeshi immigrants in the UK, it is important to understand the views on tax evasion of Bangladeshis in their homeland, the centre from which the Bangladeshi diaspora has spread out. As Shams (2016) has noted, some dimensions of immigrant identity are influenced by post-migration experience, others by ongoing and pre-migration experience in the homeland.

In his study, McGee (2008) finds that the people of Bangladesh are the most opposed to tax evasion among the inhabitants of 13 Asian countries, including China, India, and Indonesia, while people in the Philippines are the most in favour of it. His findings also suggest that Bangladeshi women are more opposed to tax evasion than Bangladeshi men. Likewise, Li (2010) asserts that ethnically and linguistically Bangladesh is a homogeneous country, which makes it a country of high tax morale. She shows that the average incidence of tax cheating in Bangladesh is lower than the global average calculated using survey data from 67 countries. It may be pertinent to mention here that the UK is one of the OECD countries with comparatively low tax evasion, having an average score of 1.1 during 1999 to 2010, in a range of 0.1 to 3.9, measured as a percentage of GDP. The tax morale⁷ of the UK taxpayers is also on the higher side (Buehn and Schneider, 2012).

⁷ The term 'tax morale' was first coined by Schmolders (1960) and Strümpel (1966), who argued that economic phenomena were not sufficient to explain tax (non-) compliance behaviour, given that many taxpayers behaved honestly despite the existence of opportunities to evade tax (Yücedoğru and Hasseldine, 2016). Tax morale in the literature universally refers to "the intrinsic motivation to pay taxes" (Torgler, 2003: 5), or taxpayers' inherent tendency towards tax compliance (Kirchler, 2007). Luttmer and Singhal (2014:150) define tax morale broadly as "an

Rethi (2010), in studying the relationship between cultural dimensions and tax evasion using Hofstede's dimension of culture among 57 countries, finds that Bangladesh lies in the middle. He shows that Bangladesh has a tax evasion score of 25.6 in an index with a minimum score of 3, obtained by Canada, and a maximum of 59.9, obtained by Peru, as reported in Table 2.2. Rethi however points out that, culturally, Bangladesh⁸ is a country with high power distance, which creates inequality of wealth and power in the society, and with medium uncertainty avoidance and masculinity, indicating a medium level of tolerance of uncertainty, and the placing of medium importance on material success and achievement. But there is low individualism in Bangladesh, which means high collectivism and an emphasis on ties between people. Each of these traits have an influence on how people behave regarding their tax obligations. Yong's (2011) exploratory study has told us that in a low power distance society, taxpayers feel obligated to perform compliance activities correctly and are expected to calculate their tax liability independently. Also, in a culture of high uncertainty avoidance, taxpayers are more concerned about paper records and accounting systems, and

umbrella term capturing nonpecuniary motivations for tax compliance as well as factors that fall outside the standard, expected utility framework.”

⁸ According to Rethi, Bangladesh has a power distance score of 80, individualism of 20, masculinity of 55 and uncertainty avoidance of 60 in an index where the highest scores for each of these are 104, 91, 110 and 112 respectively. Tsakumis et al. (2007) explain that in a country with a high power distance, the income gap between the upper and the lower classes is high, which is likely to create greater opportunities for tax evasion than in a low power distance country. In Hofstede's theory, the four dimensions of culture are uncertainty avoidance, masculinity, power distance and individualism (Tsakumis et al., 2007; Brink and Porcano, 2017). A cultural group's uncertainty avoidance score indicates how vulnerable its members feel in a society, and the extent to which they feel threatened or uncertain because of their cultural identity. Masculinity relates to the extent to which male roles and values are emphasised over those of females. In a masculine society, performance and success are considered more important than care and nurture of others, which are denigrated as feminine characteristics. Power distance indicates the extent to which less powerful people in a society accept the unequal distribution of power and social hierarchy. Finally, individualism refers to the power of ties and interdependence over individuals in the society.

in a culture of low individualism, they tend to divulge or share their tax problems with their peers. Furthermore, high masculinity correlates with taxpayers using accounting and business information for purposes beyond tax compliance.

Table 2. 2 Tax evasion by country for the year 2008

Country	TXEVAS	Country	TXEVAS	Country	TXEVAS
Argentina	25,4	Greece	28,6	Peru	59,9
Australia	15,3	Hong Kong	16,97	Philippines	43,4
Austria	10,2	Hungary	25,1	Poland	27,6
Bangladesh	25,6	India	23,1	Portugal	22,6
Belgium	23,2	Indonesia	19,4	Romania	34,4
Brazil	39,8	Iran	19,4	Russia	46,1
Bulgaria	36,9	Ireland	15,8	Serbia	29,1
Canada	3	Italy	27	Singapore	13,1
Chile	19,8	Japan	11,3	Slovak Rep	18,9
China	13,1	Korea South	28,13	Slovenia	27,1
Colombia	39,1	Latvia	39,9	Spain	22,6
Croatia	33,4	Lithuania	30,3	Sweden	19,1
Czech Rep	19,1	Malaysia	31,1	Switzerland	8,8
Denmark	18,2	Mexico	30,1	Thailand	52,6
El Salvador	47,23	Morocco	36,4	Turkey	32,1
Estonia	39,23	Netherlands	13	U.S.A.	8,8
Finland	18,3	New Zealand	12,7	Uruguay	51,1
France	15,3	Norway	19,1	Venezuela	33,6
Germany	16,3	Pakistan	36,8	Vietnam	15,6

Source: Rethi, 2010

However, there is research evidence that questions the above findings. Siddiki (2014) argues that Bangladesh is a country with low tax morale and an inefficient tax structure, and he identifies these two factors as the key drivers of an expanding shadow economy in Bangladesh, estimated to be 37% in 2010. Support for this assertion is found in Torgler's (2004) research on the determinants of tax morale. He finds a contradictory case of tax morale in Bangladesh: in a descriptive analysis, he finds that Bangladesh has a relatively high level of tax morale among 13 Asian countries; but at the same time, Bangladesh has a high shadow economy, 35.6% of GNP in the year 1999-2000. For this reason, he did not consider the case of Bangladesh in creating his estimation model of the possible determinants of tax morale.

Again, the National Household Survey on Corruption in Bangladesh, run by Transparency International Bangladesh (TIB) in 2010, shows that 51.3% of respondents who had had any interaction with the tax department had been the victims of bribery and other forms of power abuse (Pan-Suk et al., 2013). Similar evidence was produced by Lee and Gordon (2005), in their study of the effect of tax policy on economic growth. They found that Bangladesh was one of the countries with high corruption and a low-quality bureaucracy. Picur and Riahi-Belkaoui (2006) empirically demonstrate that bureaucracy levels and corruption control are important determinants of tax compliance in a country. Furthermore, using data from the Global Economic Review of 30 countries, Riahi-Belkaoui (2004: 135) claims that tax compliance in a country is positively related to its level of “economic freedom, the level of importance of the equity market and the effectiveness of competition laws and high moral norms.” Bangladesh ranks poorly in most of these determinants in a list of 140 countries drawn up in 2015-16 (World Economic Forum, 2015), which, to some extent, indicates the level of tax compliance in Bangladesh.

Religion is a defining factor in the social, political and economic life of Bangladesh (Shams, 2016), a country that first came into being on religious grounds, as East Pakistan, on the partition of India in 1947. Eventually, East Pakistan became independent in 1971, based on the ideals of secularism, socialism and democracy. The majority of Bangladeshis, 86.6%, adhere to the Islamic faith and, according to the Islamic faith, a taxpayer, if a Muslim, needs to pay zakat⁹, in

⁹ Zakat is legal alms in Islam, levied at a fixed rate of 2.5% on accumulated wealth or the net stock of assets. It is one of the five fundamental pillars of the Islamic faith. It differs from taxation in the sense that it is levied on selected wealth increments, or income, and applies both to individuals and businesses (Mohdali and Pope, 2014).

addition to paying taxes. To accommodate this, the income tax system of Bangladesh allows a rebate on any money donated to the Zakat Board, which is run under the Zakat Fund Ordinance, 1982 (NBR, 2016). However, many people are not attracted to paying zakat even to get a tax rebate. In the last three decades, the Zakat Board has collected only BDT 11.5 crore (approx. 1.1 million pounds sterling) (New Age, 2014). McGee (2012) and Jalili (2012) argue that in Islamic states it is often believed that the traditional tax system is immoral, and income tax should be replaced with zakat, which may make the Muslim community believe that tax evasion is sometimes acceptable or even ethical.

2.6 Small Business Tax Compliance in Bangladesh

Small businesses are estimated to constitute 10.99% of all businesses in Bangladesh, and they contributed 22.5% of GDP in 2015 (ADB, 2015). There is no record of how much tax revenue is being contributed by small businesses, or by small and medium businesses together, in Bangladesh.

The Industrial Policy, 2016, of Bangladesh defines small businesses and industries as enterprises having fixed assets of BDT 7.5 million to BDT 150 million (excluding the value of land and factory buildings), and employees totalling between 31 and 120. For enterprises in the service industries, the fixed assets are set at BDT 1 million to BDT 20 million and the number of employees at between 16 and 50 (Ministry of Industry, Bangladesh, 2016). Apart from these, as well as small and micro businesses, there is a vast cottage industry sector, which constitutes 87.52% of all businesses in Bangladesh (BBS, 2015). In terms of business ownership, there are 39.01 million family businesses, accounting for 86.42% of all business ownerships in Bangladesh in 2015 (BBS, 2015). The Industrial Policy does not define a family business, but the features of a cottage

industry, as defined there, involve having a total investment below BDT 1 million and fewer than 15 workers, indicate a family business.

Similarly, the Income Tax Ordinance of Bangladesh (ITO, 1984) does not have any reference to, or definition of, family or small businesses. However, the characteristics and conditions used to define a cottage industry largely resemble those of a family business – the owner is the investor, worker and entrepreneur, and none of the family members or the owner has any other commercial enterprise in their names. The ITO also sets BDT 3 lacs (3,000 pounds sterling) as the limit of investment in plant and machinery by such industries, and defines family relationships as ones that include parents, spouses or children working full time or part time, whether for remuneration or not (section 47(a), ITO-1984).

The informality of the way small businesses conduct their affairs is a major problem in Bangladesh, and tax compliance issues are a major factor behind this. The 2010 census shows that of 55,000 small and medium sized businesses in 19 district towns in Bangladesh, 70% prefer to remain informal about their business status and tax office registration. Giorgi and Rahman (2013) explain that being registered with the tax authority in Bangladesh represents a substantial cost for small businesses, due to having to keep records for monitoring by the tax authority. These undocumented small businesses are not eligible for any tax or non-tax government incentives (CPD, 2014).

On a similar note, Hassan and Prichard (2016) comment that any effort to enforce SME tax compliance in Bangladesh is confronted with collusion, corruption and politicisation. Nearly 50% of the firms in Bangladesh claim that they must give gifts when dealing with tax officials (IFC, 2014). Thus, taxpayers use initial returns as bait to start negotiations with the tax officials, and in the negotiation process,

the tax adviser, auditors and tax officials – all have their share of informal payments (Akhand, 2012; Hassan and Prichard,2016). The IMF (2005:35), in its Bangladesh country profile, maintains that, “the tax system in Bangladesh ... is prone to corruption and tax evasions and gives rise to economic distortions”. According to the Global Competitiveness Index, the ethical behaviour of Bangladeshi firms ranks 135th in a study of 144 countries (World Economic Forum, 2015). Based on survey findings, Amin and Banerjee (2007) comment that income tax evasion is a common practice in India and Bangladesh, although the extent of such practice is higher in Indian small businesses than in Bangladeshi ones.

Rahman et al. (2015) comment that tax issues remain the major hurdles for inclusive and sustainable development of small business in Bangladesh. The findings of their survey of 223 SMEs and 39 large businesses suggest that 80% of them are dissatisfied with the tax structure and efficiency of the tax administration, and with the high tax compliance and ‘unrelated’ costs (estimated to be 40% of tax liability). Survey responses indicate that reduction of tax rates and tax simplification are major areas for reform. There are however incentives for small businesses as well. For example, income derived from small and medium sized businesses engaged in production of any goods and having an annual turnover of less than 3 million Bangladeshi Taka (approx. 30,000 pounds sterling) is excluded from total income (ITO,1984).

Tax regulations are frequently changed in Bangladesh. Taxpayers and tax administrations interpret the tax codes differently, and this creates opportunities for corruption and revenue leakage (Reva, 2015). The IFC (2014) suggests that simplifying the tax regime in South Asia, including Bangladesh, would be a key

driver for small enterprise development. Referring to the case of Bangladesh, India and Sri Lanka, Gangl et al. (2015), however, comment that the services taxpayers receive in those countries, only reduce the time cost of compliance, not the monetary cost.

A high tax rate is another major constraint on small business tax compliance in Bangladesh (Amin and Banerjee,2007). The IMF (2005:35) notes that, “the tax system in Bangladesh entails relatively high tax rates and numerous exemptions”. A survey undertaken by the World Bank Group suggests that tax compliance costs in the developing countries, including Bangladesh, is highly regressive and costs small businesses up to 15% of their turnover (Coolidge, 2012). Taxpayers in Bangladesh, on an average, take 302 hours to comply with their tax obligations and need to make 21 tax payments, against the global average of 261 hours and 25.6 tax payments (PWC, 2016). In response to this finding, Bangladesh made tax payment less costly by reducing tax rates for manufacturing companies, from 37.5% to 35%, in 2014 (PWC, 2016). Tough tax requirements, however, have not been a strong reason for the emigration of Bangladeshi entrepreneurs, in the form of a ‘brain drain’, as has been the case in other countries (CPD, 2014).

Jacobs and Kemp (2002) state that small businesses in Bangladesh rarely prepare books of accounts and argue that the motivation for this comes from within the tax system. They (ibid: 152) observe, “With the existing taxation arrangements in Bangladesh it could be in the interest of small traders not to keep full accounting records because then it would be possible for taxation authorities to determine a tax liability.” Thus, with the current structure of taxation, and in the

absence of accounting, it has been difficult for the tax administration to collect taxes from small businesses in Bangladesh.

In consideration of all these problems, Bangladesh has undertaken social incentives and recognition programmes to encourage tax compliance from all classes of taxpayer (Ahmed, 2011). To expand the net tax take, and dispel fears of harassment among small businesses and individual taxpayers, three initiatives – a regularly held income tax fair, a development fair, and spot assessment – have been tried. Other programmes to attract SME compliance include issuing taxpayer identification numbers online, observing 15th September as National Tax Day, and raising awareness by street rallies, seminars, workshops and tax clinics. The main targets of these programmes are small business taxpayers. It is believed that the awareness and tax education programmes of recent years might have contributed positively to instilling a culture of tax payment and increasing the number of taxpayers in Bangladesh (OECD, 2013).

The next chapter delves into the nature of small business tax compliance in particular and tax compliance theories in general.

CHAPTER III

TAX COMPLIANCE IN IMMIGRANT FAMILY BUSINESSES

3.1 Introduction

The aim of this chapter is to review the socio-cultural and economic context of immigrant family businesses and their attitudes to tax compliance which will enable us to identify a gap in the existing literature and raise the research question. This chapter is divided into four major sections. Section 3.2 starts with defining family businesses and their essential features and then discusses their tax compliance behaviour. This section is sub-divided into six sub-sections. Section 3.3, divided into five sub-sections, touches upon the sources and nature of tax system complexity and the way these influence tax compliance actions. Section 3.4 explains different theoretical approaches to tax compliance and tax complexity, with a special focus on immigrant business tax compliance. Section 3.5, containing six sub-sections, describes the tax risk management and planning practices of those running small immigrant businesses, and their relationship with tax professionals, from a cultural perspective. Finally, Section 3.6 presents the chapter summary.

3.2 Family Businesses: Importance, Scope and Definition

Family businesses are the most prevalent and pervasive form of business (Chrisman et al., 2003), representing 50-90% of GDP in almost all economies (Feltham et al., 2005; Rayney, 2013). In the UK, the proportion of family businesses is highest among micro businesses (75%) followed by small (57%) and medium-sized businesses (43%), as shown in Table 3.1. The percentage of family businesses given for a country, however, may vary widely, because of the different definitions of a family business (Shanker and Astrachan, 1996; Klein, 2000). For example, the percentage of family businesses in the UK in 2000 varies from 15% to 78.5 %, depending on the criteria used (Klein, 2000).

Table 3. 1 Distribution of family businesses in the UK by employee size

Number of employees*	Number of businesses	Percentage that are family businesses	Estimated family businesses
1-9	989,900	75	739,200
10-49	186,700	57	106,500
50-249	30,700	43	13,200

Source: Department for Business and Innovation Skills, 2014. *The business classification is made in accordance with the European Union definition.

The objectives, governance and management of family businesses are full of 'familiness' (BIS, 2014). A PwC (2014) survey suggests that improving long term wealth is the main priority of family firms, followed by business profitability. Family ownership, governance and control of a business affect its finance and tax compliance behaviours (BIS, 2014; Annuar et al., 2014; Carney et al., 2015). Shailer (1993:231) notes that, "The organisational structures adopted by owner-managers often are likely to be products of taxation planning."

There remains disagreement over the definition of 'a family business' (Chrisman et al., 2003; Gracia and Andújar, 2007; Klein, 2000; Shanker and Astrachan, 1996). This is a combination of two sub-definitions, family and business (Sharma et al., 1997), which implies that the concept of a family business is rooted in the concept of family (Cano and Austin, 2010). The family, as a socio-economic unit, has taken different arrangements and meanings over time – from non-marital cohabitation to marital cohabitation of same - or different-sex partners. In a British attitude survey in 2000, 67% of respondents agreed that it was “all right for a couple to live together without intending to get married” (Loutzenhiser, 2009:78). This prompts Bourdieu (1998:55) to define a family as “a set of related individuals linked either by alliance (marriage) or filiation or less commonly by adoption (legal relationship)”. And to Backer (1974), a family is the smallest unit of production engaged in the exchange of goods and services, organized through the marriage market – a constituent of the domestic economy. Harris (2009:294) comments that, “Connection between family and business makes these businesses different from nonfamily businesses.”

Seen from this perspective, family businesses aim to find work for family members. Swedberg (2011:69) notes that, “As members of an extended family, and as part of their responsibility to that family, work is conceived in a very different way... that brings in money.” This is supported by North and Trlin (2004:21) in their studies of family businesses among New Zealander immigrants, where one person observed, “We wanted something suitable we could all get involved in”, which reflects the significance of family business for the survival of immigrant families. A study by Inland Revenue New Zealand (2014) demonstrates that 42% of immigrant businesses have family members as

employees. Danes et al. (2008) comment that a family is a rational economic and social unit engaged in the exchange of resources within their own boundaries.

Broadly, to be considered a family business, a business must make sure that the persons engaged in it have a family bond, with spouse, parents, child or child's direct heirs holding major decision-making rights in the business (Bertrand and Schoar, 2006; James, 1999; BIS, 2014). Since they are managed by a nucleus of related individuals, family businesses offer limited access to human, social and networking capital, compared to non-family businesses (Laforet, 2012; PwC, 2014). Sharma et al. (1997:2) define family businesses as "a business governed and/or managed on a sustainable, potentially cross-generational, basis to shape and perhaps pursue the formal or implicit vision of the business held by members of the same family or small number of families."

Shanker & Astrachan (1996) propose three categories of family business: a broad category, in which the owning family exercises effective control over strategic goals and intends that the business shall remain within the family; a middle category, in which the founder runs the company, and at least one member of the family is involved in the day-to-day operation of the business; and a narrow category, in which multiple generations and family members are involved in the day-to-day operation and management of the business (Hamilton, 2013). According to Chrisman et al. (2003), a family may involve itself only with the day-to-day management of the business or only with the strategic goal setting, and this choice makes the business a narrow or a broad family business. Rouvinez and Ward (2005) suggest that a business must fulfil at least one of the following conditions to qualify as a family business: three or more family members are

active in the business; two or more generations of the family control the business; there is an intention to pass the business to the next generation.

Table 3. 2 Types of family business model

Model	Characteristics
Captain	SMEs managed by the founder
Emperor	Businesses and families united by a leader
Family Team	Extended family working in a small business
Professional Family	A few family members engaged in professional management of a complex business
Corporation	Complex family governing a complex business
Family Investment Group	Family with varying complexities investing together

Source: Gimeno et al. (2010)

Gimeno et al. (2010) suggest that, along with ownership, we need to consider the managerial structure to define a business as family or non-family, and they propose six different types of family business model, as shown in Table 3.2. Gimeno et al. (2010:69) also comment that the FIG (Family Investment Group) model is the one offering a wide range of services to the owners, such as “filing tax returns, making tax payments, book-keeping for particular activities, insurance and so on”. The family complexity and the business complexity of each of the family business models are different, and here tax consultants play a significant role alongside other team members like finance managers and business lawyers.

Family businesses can be called by various names, for example, owner-managed businesses, closely-held companies, private equity firms and so on (Klein, 2000; Chrisman et al., 2003). Owner-managed businesses represent a much wider class of private company, and they differ from family businesses in the sense that owners in a family business may not need to own 100% of the business

(Chrisman et al., 2003; Carlock and Ward, 2010). A business in which the owning family have a minimum of 5% of places on the board of directors can be termed a family business (Faccio and Lang, 2002; Klein,2000). Likewise, in a family company, a single family holds more than 50% of the voting shares, and effectively controls the business by occupying this key position (Rayney, 2013). Even if the family business is publicly listed, the representation of family members on the board of directors creates a family hegemony, and the company tends to be owner managed. Therefore, it is disingenuous to adhere to a rigid definition of a family business without considering the complete spectrum of family ownership and management of the business.

3.2.1 Essential Characteristics of Family Businesses

The most important feature of a family business is control of the business by a single or a few individuals from the same family for their common benefit. Bertrand and Schoar (2006) comment that the benefits from family-control of a family business are expected to be large. To reap the benefits, most family businesses have a family constitution (Gimeno et al., 2010) which covers ownership, protocol and managerial issues. If a family member joins the business as an employee, s/he needs to sign an employee contract which transforms the family relationship into an employment relationship.

Family businesses may have single or multiple owners (Lipman, 2010; Gimeno et al., 2010). They may have owners who are in complete control, with ownership consolidated in the hands of a single individual or a couple (e.g., husband and wife co-entrepreneurs). They may be a sibling partnership, usually a second-generation business with two or more siblings. Or they may be a consortium of cousins, with many cousins being shareholders, and such businesses are

typically multi-generation family businesses. The diversity and variation of family business ownership can be understood as having three dimensions: a business dimension, a family dimension, and an ownership dimension.

Glover (2010) comments that a family business is a symbolic business in the sense that, with its economic and cultural capital, it has a symbolic capital, which works as a force to continue the business through generations. In a family business, one generation passes down assets and money (economic capital), skills and tastes (cultural capital), goodwill and brand (symbolic capital) and family tradition (both cultural and social capital) to the succeeding generations (Glover, 2010). The impulse to retain the family name and its ethnic history is one issue that influences the growth and potential of businesses (McGoldrick and Troast, 1999). In Carney's (2007:289) view, "Family businesses perform both wealth-creation and wealth-preservation tasks." This resonates with Bourdieu's proposition that capital is accumulated over time and across generations (Berg, 2015). Thus, a family business is more than a financial and production undertaking: it is a place "loaded with profound social, cultural and symbolic significance", Swedberg (2011:77).

Decision-making in family businesses is informal, flexible and quick (Morris et al., 1997; Carlock and Ward, 2010), because in most cases, unless there are third-party shareholders, they are dependent on a single decision-maker, i.e. the owner (Feltham et al., 2005). Decision-making, however, may take longer as a business ages and becomes larger. Information is a private resource in a family business; whereas in a non-family business, information is a shared resource. One advantage of family business owners is that they have first-hand information on business problems and their potential solutions (Gimeno et al., 2010).

One aspect of family businesses is a lack of sufficient care in governance issues, with governance often being influenced by the wishes of family members rather than by ideal management practices (Block, 2010). Emotion plays a significant role in these businesses' performance appraisal, although this may have a good side: greater emphasis on family wishes may make the owners more concerned about the business (Block, 2010). Family businesses are more concerned about generational issues, whereas non-family businesses are concerned about current issues (Tsoutsoura, 2015; Corbetta and Montemerlo, 1999). Family businesses raise capital mainly from within the family and friends, or from reinvestment of retained earnings, which has significant tax and business implications (Poutziouris, 2011).

3.2.2 Immigrant Communities and Family Businesses

Most immigrant businesses are owned and managed by family members (Nam and Herbert, 1999; Inland Revenue, New Zealand, 2014), which makes immigrant family businesses a sub-set of family businesses. Faccio and Lang (2002) find that non-financial and small firms in the UK and in continental Europe are more likely to be family controlled. Immigrants turn to family businesses for two reasons – to earn a living and to be their own boss (Halkias and Adendorff, 2014; Mitchell, 2012; Basu and Altinay, 2003). Having a business also converges with a desire to make a socio-economic contribution to one's own community by creating jobs and income (Bjuggren and Sund, 2001; Feltham et al., 2005).

Immigrant communities have an established tradition of engaging in family businesses (Mitchell, 2012; Janjuha-Jajvir, 2003; Basu and Altinay, 2002). Strong family dynamics and business involvement are essential features of immigrant family business, together with a strong work ethic and ethnic connections (de

Vries, 2007). While financial independence is an important motive, a family business is also a stepping stone to finding work for all family members in a foreign land. Dissociating family from the business will not only impose costs on the business, but it will also impact on family ties adversely (Bertrand and Schoar, 2006).

Chang et al.'s (2009) study of the Hispanic community in the US suggests that, in business start-ups, family members provide ample support. They contend that family support in immigrant businesses is multifaceted, and more important than other sources of support. Research in other communities, for example among the Chinese communities of the US (Peredo and Chrisman, 2006), the European and Asian communities of New Zealand (Yong, 2011 and Yuan,2013), the South Asian communities of the UK (Janjuha-Jajvir, 2003), and the Afro-Asian and European communities in South Africa (Mitchell, 2012) has come up with similar findings.

The main business activities of immigrant family businesses involve retailing, running restaurants and garment-manufacturing (Mitchell,2012; Ram and Jones,2008). These family businesses also play a significant role in bringing foreign capital and an expansion of international trade to the hostland and to homeland businesses (Carney, 2007; Halkias and Adendorff, 2014). Immigrant businesses not only strengthen their own community ties, they also bring vibrancy to other community businesses (BIS, 2015). In some countries, immigrant family businesses hold a substantial share of private-sector assets. For example, the ethnic Chinese constitute 3% of the Indonesian population, but they own 70% of Indonesia's private sector assets (Carney, 2007).

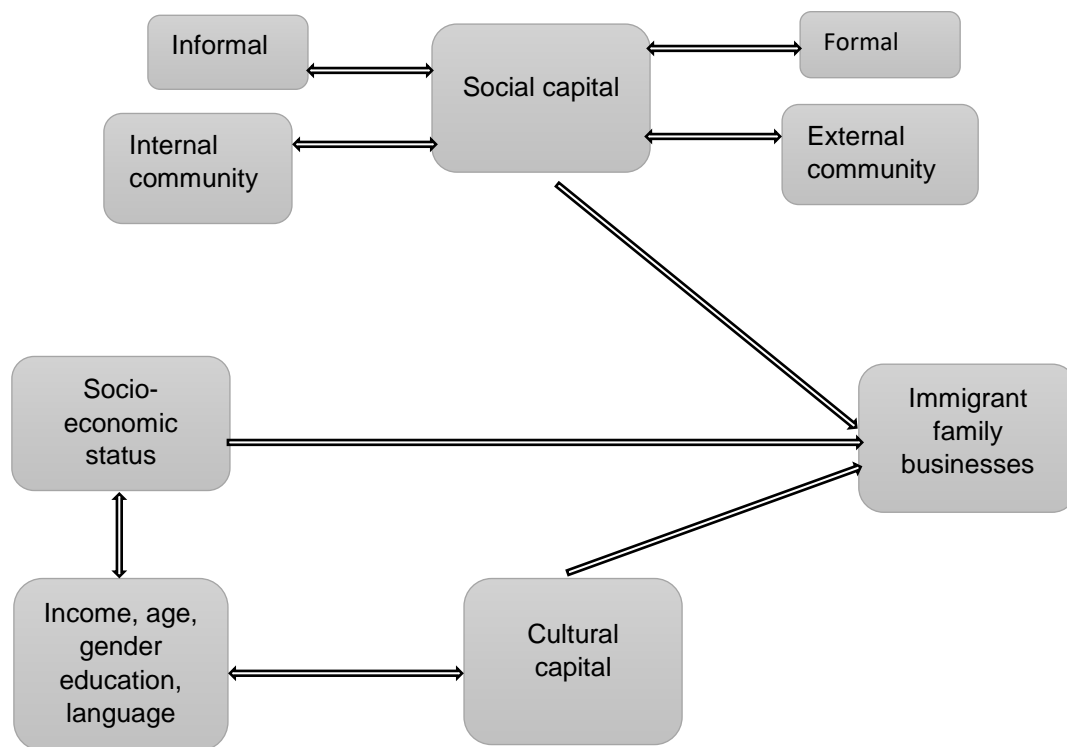
However, immigrant family businesses are not solely concerned with bringing capital and expanding international business: they also transmit money and capital to their country of origin, to support families back home (Delgado, 2011; Inland Revenue, New Zealand, 2014). Carney (2007:289) notes that family business units are not just a value-creation device; they may also work as a “wealth-protection and intergenerational and/or geographical transmission device used to preserve and transfer wealth through various informal and often nontransparent means”. This reality makes them more dependent on cash transactions, as Andrejuk (2016:381) puts it in his statement: “Immigrants possess bank accounts because they are a necessity in Western countries, but they prefer to conduct business transactions in cash.”

3.2.3 Role of Social and Cultural Capital in Immigrant Businesses

It is practically impossible to understand the behaviour of immigrant family businesses without understanding the cultural context in which they operate (Danes et al., 2008). Bjursell (2011) indicates that cultural context and family business culture are strongly connected. McGoldrick and Troast (1999:283) assert that ethnic identity influences the “communication, values, relationships, and preferences in business practices”. However, they add that ethnicity is not the only determinant that influences behaviour: a person’s socio-economic status, age, gender, education, and mastery of the host country’s language also influence his perception of practices. The reason for Vietnamese immigrants in Poland seeking advice from a Vietnamese accountant is because “his fluency in Polish helps him with the business and he serves as an intermediary between the diaspora and the host society”, as Andrejuk (2016:394) finds.

In cultural matters, immigrant family businesses are strongly influenced by personal and social factors, as illustrated in Figure 3.1.

Figure 3. 1 Personal, social and cultural factors affecting immigrant family businesses



Source: Candidate's own figure

As Figure 3.1 shows how social, cultural and socio-economic status influence the immigrant family businesses. To start with, their social capital can be derived from formal or informal, internal or external sources. Formal means institutional supports, like government agencies whereas informal implies connections with friends, families and community organizations. The figure describes that gender, age and education play an important role in forming cultural and socio-economic capital. The interplay of these three forms of capital decides the daily-life operations of the business community. Erick et al. (2009, quoted in Delgado, 2011) in their study of Latino immigrant family businesses in the US, find that

business start-ups and venture capital are mainly mobilized through social connections. A PwC (2014) report reveals that family businesses maintain powerful networks of relationships for buying and selling goods. Patronizing an immigrant family business, for its customers and suppliers, is seen as empowering the community and creating solidarity among ethnic members (Peredo and Chrisman, 2006; Danes et al., 2008; Andrejuk,2016). Harris (2009:292) comments that, “Family businesses that have an ethnic background in common with customers, employees, and suppliers may receive preferential treatment... simply because of an associated group identity.” Even in a low trust society, “subgroups within the larger population may enjoy elevated levels of social solidarity”, as Carney points out (2007:290).

The social or informal structure does not limit a business to drawing on its own community network but allows it to use the resources available in the wider community (Kloosterman et al.,1999; Rothengatter,2005). Janjuha-Jivraj (2003) finds that first-generation South Asian family businesses in the UK limit themselves to their own ethnic community for informal support, while second-generation immigrants have access to the wider community. In explaining the need for social networks among Hispanic Immigrants in the US, Chang et al. (2009) assert that these immigrants depend more on family members than on external sources, either from preference or necessity (McGoldrick and Troast, 1999; Halkias and Adendorff, 2014).

Ram and Jones (2008) find that for the African-Caribbean communities in the UK, it is particularly difficult to obtain capital from formal financial institutions. Bertrand and Schoar (2006) make the argument that if formal institutions are weak or non-existent, solid family ties become the second-best solution for any business

support. The other reason for dependence on family may be a business owner's relocation background and home-country experience of trust and legal protection.

Another reason for dependence on social networks is that they may reduce business risk, improve business capabilities and offer new opportunities (Peredo and Chrisman, 2006). The interrelationship between family firms and their communities enables the former to take more risk than their capacity suggests, because the risk is being borne and shared by community members, due to their sense of solidarity. Drori et al. (2010:15) state that, "Social capital enhances economic opportunities by leveraging resources towards the establishment of migrant-friendly businesses." This resonates with Bourdieu's idea of social capital enabling the exploitation of resources through contacts (Bourdieu, cited in Danes et al., 2008). Bertrand and Schoar (2006), however Small Chinese family firms dominate business in Taiwan and Hong Kong (Dobbins, 2005), suggest that dependence on narrow "familism" and kinship networks may impede the growth potential of immigrant businesses. Similarly, Bjursell (2011) cautions that kinship may bring hazard for family businesses.

Model (2008, cited in Delgado, 2011) asserts that cultural and ethnic capital creates opportunities for immigrant family businesses. Cultural networks provide both employees and markets, economic capital, and emotional and psychological support (North and Trlin, 2004). These are the *raison d'être* of ethnic family businesses. Danes et al. (2008:231) explain that, "Because family is a conduit of culture and core cultural values, family structure and relationships are even more integral to understanding the management processes of ethnic-family businesses than mainstream businesses."

3.2.4 Taxation in Family Businesses and Immigrant Communities

The relatively little research done on family businesses and on immigrant family businesses suggests that the characteristics of the owning families critically affect business and tax policies (North and Trlin, 2004; de Vries, 2007; Yong, 2011; Yuan et al., 2013; Carney, 2007).

Nam and Herbert (1999), in their study of Korean immigrant businesses in the US, find that immigrant businesses encounter major problems with respect to culture, tax and money. Similar findings have emerged from research into communities in other societies with a significant proportion of immigrants. North and Trlin's (2004) study of immigrant businesses in New Zealand describes a semi-retired Chinese immigrant who, on the advice of his accounts adviser, also an immigrant, invested all his pension monies in a family investment firm to take advantage of goods and services tax (GST). One Indian immigrant in these researchers' study commented, "New Zealand GST is too high, compared with other countries... business tax 33%", *ibid* (2004:36). The researchers argue that tax compliance plays a significant role in building perceptions of a country's regulatory institutions among immigrant businesses. De Vries (2007), on this point, adds that immigrants' perception is not only influenced by the host country's tax system but also by their experiences with their homeland tax system. Chang et al. (2009:289) support this observation by saying that, "We speculate that the behaviour of minority immigrants may also be a by-product of their prior home country experiences".

Contrary to this, however, there is evidence that businesses in New Zealand run by immigrants from a similar culture and tax system (for example, from the UK or Australia) may be less tax compliant than those from larger and dissimilar tax

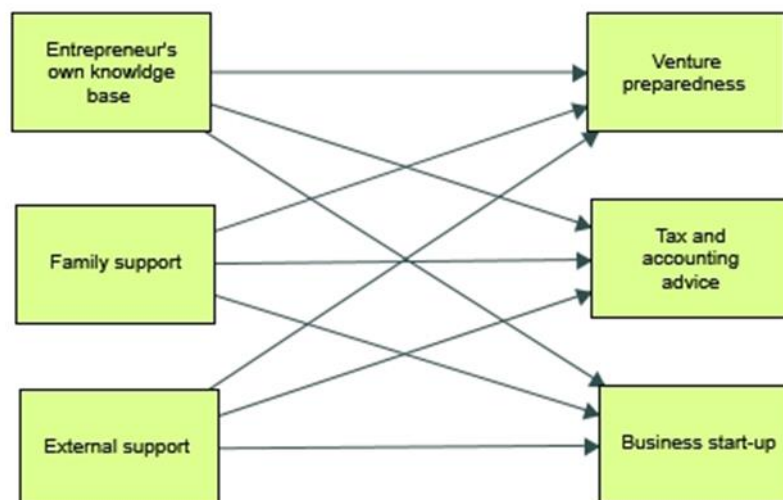
systems (for example, Chinese and Indians) (Inland Revenue, New Zealand, 2014).

3.2.5 Tax Advice for Immigrant Family Businesses

Accountants are the first choice for tax advice in immigrant businesses, along with family, friends and trade associations (Lewis et al., 2005). It is reported that, for seeking tax information, accountants are the first contacts for immigrant businesses (77%), followed by the tax authority (59%) and friends and family (31%) (Inland Revenue, New Zealand, 2014). De Vries (2007) and North and Trlin (2004) also draw similar conclusions about the heavy dependence on accountants by self-employed immigrant businesses in New Zealand, although some of these avoid accountants, either because of a lack of networking support or because of suspicion about an accountant's role and value. An interesting point to note is that tax consultancy itself is a family business in immigrant communities. Andrejuk (2016), in his study of Vietnamese immigrants in Poland, finds that families running tax consultancies had trading backgrounds before they emigrated.

Another study by the Department of Labour of the New Zealand Government (2012), however, shows that accountants are ranked fifth by immigrant businesses as a source of tax advice, after consultants, trade bodies, business planners and family members. Few businesses rely on unpaid social connections, and even fewer on government support. Government support on tax is less often sought, perhaps because of conflicts between societies and tax authorities about the quality and optimal level of taxpayer services, as Tsai and Yang (2015) contend. While a society's expectations of the quality of service is high, the service preferred by the tax authority is of medium or low quality.

Figure 3. 2 Sources of business and tax advice for immigrant family businesses



Source: Adapted from Chang et al. 2009

Figure 3.2 summarizes the sources of tax and business advice for immigrant businesses. Entrepreneurs' own knowledge base and family support, along with external sources, are used for advice on topics from business start-ups to venture capital and tax planning. For example, immigrant family businesses of Asian origin in New Zealand maintain business records for themselves, because they have better tax knowledge than Maori and European businesses, who mainly depend on tax advisers or family members (Yong, 2011). In South Africa, where tax regulations emerge as one of the major obstacles to doing business, immigrant businesses draw "heavily upon their social resource base" (Mitchell, 2012:51). This finding is supported by Godsell (1991, cited in Mitchell, 2012) that Indian entrepreneurs in South Africa have more opportunity to utilize family and community resources than other ethnic groups.

In the UK, slightly differently, Janjuha-Jivraj (2003:39) finds that Asian family businesses predominantly rely on accountants and lawyers, and reports that they do not “feel the need to develop other relationships”. Likewise, Sian and Roberts (2009) provide evidence that most owner-managers in the UK depend on accountants to prepare accounting records and to provide tax information. This is the basis of the comment by Yuan et al. (2013) that there is a consistent difference between ethnic groups regarding the use of accountants, family friends or government offices as a source of tax advice.

Furthermore, advisory services on business and tax are not only sought from within the immigrant businesses’ own community but from beyond the community (Harris, 2009). For example, Indian and Chinese business immigrants in New Zealand rely more on accountants with the same ethnic background as them (Inland Revenue, New Zealand, 2014), while the Hispanic community in the US depends more on the non-Hispanic community (Harris, 2009). In explaining this, Danes et al. (2008; 231) suggest that the operating and financial pattern of immigrant businesses varies with “whether the group is composed of immigrants or natives to the US, how long they have been in the country, and whether they have had business experience and opportunities prior to entry... the social networks ... and how residentially segregated the group is or has been”.

3.2.6 Income Tax Compliance by Family Businesses: What Do We Know?

In relation to the law, the word “compliance” refers to obeying and acting within legal provisions. In income tax literature, tax compliance means fulfilling tax obligations following the tax laws and procedures in force in a tax system (Christian and Alm, 2014; Chau and Leung, 2009). With legal issues, methods of

accounting and record-keeping play a key role in the tax compliance process. Tax compliance thus can be defined as paying the right amount of taxes to the government (the treasury) at the right time, with accompanying statements and documents. This can be achieved in four different stages (Freedman, 2010): the first is to register with the income tax department; the second is to file the tax return in good time; the third involves reporting all income earned during a tax year, whether taxable or non-taxable; and the fourth requires the paying of taxes due on the income. The various functions and responsibilities involved in tax compliance make it a complex and multi-focus area for academic study (Andreoni et al. 1998; Lamb et al., 2005).

Complying with income tax rules is a critical factor for making business decisions (Lanis and Richardson, 2011), and this is the tax about which family businesses are most worried. Morris et al. (1997) state that one of the most important issues for family businesses' attention is tax avoidance,¹⁰ and to find solutions to this problem they spend proportionately more time with tax advisors. Corbetta and Montemerlo (1999) provide empirical evidence that 74% of family businesses in Italy, and 38% in the United States, are very concerned about income tax¹¹ – more than are concerned over estate tax, gift tax or inheritance tax. Gracia and Andújar (2007) find that the average tax rate for Spanish family businesses is

¹⁰ Tax avoidance refers to legally acceptable actions to reduce tax liability, whereas tax evasion refers to intentional or unlawful tax cheating by taxpayers (Kirchler and Wahl, 2010; Alm, 2012). Tax avoidance is legal and tax evasion, thus, is illegal. Sometimes, however, it is very difficult to differentiate between tax evasion and tax avoidance, particularly when an action by the taxpayer, committed willingly or unwillingly, causes a loss of tax revenue. For example, a taxpayer investing a huge amount of money in an employee provident fund, only to end up in a zero-effective tax rate, tends to be a case of tax evasion, although such an action is seemingly legal.

¹¹ It is more difficult to deal with the income tax matters than estate or gift tax. In both the countries, Italy and the US, taxpayers are more worried about the high tax rates which in turn increases complexities in managing businesses. One such complexity is the forced appointment of entrepreneur's spouses in the business just for tax reasons.

higher, at 46.6%, than for non-family firms, at 40.7%. The reason Corbetta and Montemerlo (1999) offer for this is the lack of knowledge and awareness on the part of family businesses about income tax compared to other taxes.

The little research that has been conducted on family business taxation shows that the link between family businesses and tax compliance is empirically unclear. There is evidence that family ownership of businesses and tax compliance are positively related – the more a business is owned by members of the same family, the more likely it is that they will be tax compliant (Chen et al., 2010; Fama and Jensen; 1983; Badertscher et al., 2013; Xiao et al., 2001).

Badertscher et al. (2013) compare the tax avoidance behaviour of firms with greater concentrations of ownership and control with that of firms with less ownership and control and find that the former avoid significantly less income tax than the latter. They maintain that owner managers are risk averse and less willing to invest in aggressive and blatant tax avoidance schemes. Kotlar et al. (2014:597) maintain that, “Family firms are classically seen as risk averse organizations”, which is apparent in their low investment in research and development. Their findings support Fama and Jensen (1983), who assert that if equity and decision-making lie in the hands of a small number of owners, which is the case in family businesses, they are less likely to invest in risky projects.

Ang et al. (2000) comment that, as a business community, family businesses have greater reputational concerns and tend to behave unselfishly. In a similar tone, Christensen and Murphy (2004) comment that tax aggressiveness¹²

¹² Tax aggressiveness refers to the risk preference of a taxpayer or a tax adviser, conservative or aggressive, in making tax planning strategy (Schisler, 2004). Some taxpayers or their advisers may be aggressive in underreporting true income, giving rise to reporting aggressiveness. Some others may be aggressive in underpaying or delaying tax payment, called payment

generates cash flow benefits for the business, but such actions have severe non-tax costs – loss of business reputation. Block (2010) argues that the stronger sense of identification that family owners and employees have makes them more sensitive about business reputation and avoiding risky business plans. Chen et al. (2010) argue that family-controlled firms are less tax aggressive than non-family firms, because the former want to remain faithful to their minority shareholders. Thus, for family businesses, reduction in share value from reputational damage is an indirect cost (Young et al., 2008). This is even more the case for family businesses, where half of the importance of the company is the link with the name of the family (McGoldrick and Troast, 1999). Zhu et al. (2013) add that owner managers have a psychological ownership of the business which makes them more the caretaker of the business than a mere manager.

Steijvers and Niskanen (2011) provide empirical evidence that private family firms are less tax aggressive than private non-family firms, because of the potential loss of reputation and socio-economic wealth. Kubota and Takehara's (2013) exploratory study adds to our knowledge the fact that family businesses in Japan are more conservative in accounting practices than non-family businesses. Similarly, Poutziouris (2011) finds that family firms in the UK are more conservative than non-family firms in strategic business planning. For many family firms, managing the business is like managing one's second home, which makes financial gain a minor issue compared to the business's emotional value (Sharma et al., 1997; Björnberg and Nicholson, 2012). Gracia and Andújar (2007:270) point out that, due to the link between family and business capital,

aggressiveness. The sole or dominant purpose of tax aggressiveness is to avoid taxes in a way not considered to be in the spirit of the law (Lanis and Richardson, 2011).

family businesses use resources efficiently, “particularly when they are aimed at reducing the tax burden”.

On the other hand, there is evidence that privately-held family firms underreport income (Annuar et al, 2014; Schulze et al., 2001; Daily and Dollinger 1992). Haynes et al. (1999:238) find that family business owners “effectively reduce a tax bill by transferring cash income from the business to the family, thereby reducing the net profits of the business”. In a transitional period, such underreporting is higher than in a post-transition period (Morris et al., 1997; Bjuggren and Sund, 2001). Rouvinez and Ward (2005:28) state that, “Ownership transfers can trigger inheritance taxes, which in turn can cause a sudden increase in the demand for liquidity.” Martinez and Ramalho (2014) find that in Brazil family businesses are more tax aggressiveness than non-family businesses, measured in terms of effective tax rates and book tax difference. In East Asia, family firms are found to have low transparency and to ignore the interests of minority shareholders (Faccio et al., 2001).

Xiao et al. (2001), using survey data, conclude that family business owners are more risk tolerant than non-family businesses in financial planning. They provide two rationales for arriving at such a conclusion: first, the success rate in family businesses is historically low, which tempts them to take above-average financial risk to maximize potential success. Second, families with a business usually have more financial assets than families with no business, and this enables them to take high risks. Factors that may affect risk-taking attitude include age, race, and education, among others. The high risk taking and greater tax avoidance attitude of the self-employed (Yuengert, 1995), who represent a kind of family business, support these researchers’ theory. Also, it is pertinent to mention Kotlar et al.

(2014), who note that family businesses are usually risk averse, but they can embrace higher risk when their strategic goal is under threat.

A common tax practice in family businesses is for owners involve their spouses in business shareholding only for tax reasons (Loutzenhiser, 2009; BIS, UK 2014). As Corbetta and Montemerlo (1999:367) put it, “Some of these ‘pure’ shareholders are entrepreneurs’ spouses, who are often involved in ownership just for tax reasons.” Family members of non-publicly traded companies are more interested in receiving cash bonuses to reduce the tax burden (Berk et al. 1988; Shulze et al., 2001). This tendency is higher for incorporated family businesses located in rural areas or in small towns (Haynes et al., 1999).

North and Trlin (2004) find that dividend or profit distribution is one of the most frequently used methods of remuneration in immigrant family businesses. Sometimes, compensation for family managers is set unreasonably high, so that there is no cash available to declare a dividend for the minority shareholders (Lipman, 2010). Haynes et al. (1999:238) however inform us that mixing business and family expenses may push up tax liability, “if business expenses are incurred by the family and never reported as business expenses.”

Income splitting in the context of family businesses, that is, shifting income from higher-bracket-tax-paying family members to lower-bracket-tax-paying members is a unique problem in all taxing jurisdictions, and it raises concerns for horizontal and vertical equity as well as for economic neutrality (Loutzenhiser, 2009). In the UK, this has raised major concern in the recent years. The HM Treasury Budget Report (2008:73) states, “The Government firmly believes it is unfair that some individuals can arrange their affairs to gain a tax advantage by shifting part of their income to another person who is subject to a lower rate of tax.” Income

splitting by family businesses also creates complexities for the progressive income tax structure (Loutzenhiser, 2009).

Another practice in family businesses is to over compensate family members by offering disguised gifts that are tax deductible. With respect to UK family businesses, Freedman (2003:27) notes, “There may be more scope for the Revenue to seek to disallow salary and benefits paid to an owner/manager that seem excessive.” She further adds (ibid:28) that, “There may be a strong incentive in the case of small companies to pay out profits by way of dividend... paying lower rates of tax.” Shailer (1993) argues that for taxation reasons, family firms falsify their disclosure behaviour. Some common items of misreporting are personal consumption buried in business expenditure, overpayments in related party transactions, and debt servicing for loans used mainly for personal consumption.

The degree of tax aggressiveness, however, depends on owner managers and the composition of ownership or boards of directors. Lanis and Richardson (2011) find that a corporate board of directors comprised of more independent members is less tax aggressive than a board of directors comprised mainly of directors from within the family. Tsai et al. (2009) provide evidence that in an agency-managed family business, family members on the board of directors are supportive of risk reduction strategies taken by CFOs.

Similarly, a CEO drawn from within the family will be more worried about business reputation and less eager to take a risk of tarnishing the business image. If the CEO is from outside the family, the risk-taking behaviour may be different (Kubota and Takehara, 2013). Fan and Mawani (2015) examine the impact of ownership and voting rights on tax reporting aggressiveness. They find that firms with more

family ownership face lower financial reporting pressure and thus become more aggressive in tax reporting. They also find that firms with insider and family ownership pay 44% less tax than the non-closely-held firms. Sharma et al. (1997) argue that family businesses may differ from non-family businesses in business strategies and control, but in financial control, they are the same: the guiding principle is tax minimization.

In summary, the above review suggests that family businesses are different from non-family businesses in terms of ethics, perceptions of business opportunities and risk, and business networking and strategies (Chrisman et al., 2003; Chen et al., 2010; Fama and Jensen; 1983; Badertscher et al., 2013). It further shows that there are differences in the perceptions and performance characteristics of a family business, depending on whether it is run by an immigrant or by a native (Nam and Herbert, 1999; Harris, 2009; North and Trlin, 2004; de Vries, 2007; Yong, 2011; Yuan et al., 2013; Carney, 2007; Kloosterman et al., 1999; Greenhalgh and Lowry, 2011). These differences indicate a clear need for a theory of tax compliance to understand how immigrant family businesses build their perceptions of tax compliance and tax complexity, how they manage tax risk, and to what extent they depend on the tax advisers to resolve tax compliance problems. This will help tax administrations to resolve whether immigrant businesses are in need of targeted support or preferential treatment to deal with their tax obligations.

3.3 Tax Complexity and Immigrant Businesses

Tax system complexity is a problem common to taxpayers of all types. How complexities arise as a problem in the achievement of tax compliance may differ with respect to taxpayers' socio-economic positions and cultural identities. With

that phenomenon in mind, this section reviews the sources and nature of complexities in the tax system and the ways it may affect tax compliance behaviours. It discusses the major perspective that explains why complexities arise in the tax system and complicate tax management¹³, with a focus on how complexities are linked to the generation of tax risk and tax compliance. The section presents a brief account of UK tax system complexities to demonstrate how easy or difficult it can be to manage compliance, especially for immigrant taxpayers coming from another tax jurisdiction and culture. It shows how ethnicity and cultural identities contribute to the perception of tax complexity in small immigrant family businesses and how compliance difficulties may be resolved by community networking and external support.

3.3.1 Tax Complexity – a Ubiquitous Problem of Tax Compliance

Taxpayer's engagement with the tax system is complex in almost all societies with a tax function. Even if some economic activities are tax exempt, as for example in tax holidays, taxpayers must submit a return and be accountable to the tax authority. There is a public perception that an attempt at tax simplification may mean more complexity in the tax system (Karlinsky and Burton, 2011). Tax complexity encompasses a kaleidoscopic range of topics (Milliron, 1985; Gratez, 1997; Snape, 2015). Generally, tax complexity refers to difficulties in reading and understanding tax legislation (Schenk, 2011), uncertainty and lack of transparency in tax requirements (Krause, 2000), multiplicity and ambiguity in tax guidance notes (Deloitte, 2014) and unpredictability, unenforceability and manipulability of regulations (Slemrod, 2009; Kaplow, 1996). Schenk (2011:261),

¹³ Tax management refers to the planning and legal avoidance of tax, not the fraudulent or evasive activities done against the spirit of the law (Frecknall-Hughes, 2014). Individuals and firms engage in tax management to reduce tax cost and maximize after tax income in a socially responsible manner.

in talking of tax complexity, refers to taxpayer's "ability to understand and comply with a statutory provision or regulation", and suggests this should not be confused with "lack of transparency", which mainly refers to the straightforwardness of the law-making process. Tax complexities are recursive in nature (Rothengatter, 2005); they create uncertainties in the tax system and destroy tax planning (Karlinsky and Burton, 2011; Speer et al. 2014; Hall, 1994).

Measuring tax complexity is a difficult task, not only because of the differences in the cultural and social position of the taxpayer (Dobbins, 2005), but also because of the varied perspectives from which tax complexity is viewed. Decades ago, Bittker (1974) commented, "Neither tax 'simplification' nor its mirror image, complexity, is a concept that can be easily defined or measured. I know of no comprehensive analytic framework ... that supplies a 'simplicity index' in particular areas of tax law practice." Although there has not been any simplicity index constructed so far, there have been complexity indexes, for example, the Office of Tax Simplification (OTS) Index (Jones et al., 2014) or Galli and Porteba's (2007) Gini-income inequality index. Baron (2012) notes that complexity indexes are subjective, full of overlapping ideas, and may misplace valuable information in the scoring process. A common approach to measuring tax complexity is thus to estimate the noticeable (e.g., money, time) and hidden (e.g., psychological) costs taxpayers bear in producing compliant tax returns (Slemrod, 1985). But there are other measurements in operation: for example, looking at the number of pages and length of the tax legislation (Picciotto, 2007), and rating countries for tax system complexity (Richardson, 2006).

As a concept, 'tax complexity' is used interchangeably with 'tax system complexity'. Slemrod (1996) uses these terms interchangeably when he

estimates the compliance cost of the US tax system. In Carnes and Cuccia's (1996:42) analysis of the complexity-equity relationship, the authors comment that in their own and other surveys tax complexity is measured as "taxpayers' general perceptions of the complexity of either the tax system as a whole or a few selected tax items." Ulph (2014) clarifies that when people complain about tax complexity, they mean tax system complexity, and he defines tax system as a set of laws and rules that outline tax agents, the types of transactions to be taxed or not, rates and duties, and administrative procedures to complete and pay taxes or challenge the taxes imposed. In practical tax research, there is evidence for Ulph's comment. For example, to measure the complexity of a tax system, Torgler (2003:273) asked the following question on tax law and rule complexity: "How complicated do you think our federal income tax laws and rules are for your particular income situation?" Chau and Leung (2009:37) also use tax complexity and tax system complexity interchangeably when they make the comment, "Complexity of tax system should increase as the number of criteria specified by tax laws increase."

Similarly, in studying perceptions of tax complexity for small businesses among tax professionals in the US and Australian tax systems, the five dimensions Ingraham et al. (2005) include are: ambiguity, computations, change, detail, record-keeping and forms, which are all features of tax law. They find that lack of detail is the leading cause of tax complexity, followed by ambiguity (Fogarty and Jones, 2014) and frequent changes in the law. Frequent tax law change is also found as a major cause of tax complexity in Australia, New Zealand and the US (Freudenberg et al., 2012). This indicates that tax law complexity and tax system complexity can be treated as equivalents.

For immigrant taxpayers, their experience in their country of origin plays a significant role in building perceptions about the tax system of the country of settlement. For example, Indian and Chinese immigrant businesses are more trusting of the New Zealand tax department than of the tax departments of their country of origin; but Australian and UK immigrants do not see it as much different (Inland Revenue, New Zealand, 2014). It is argued that immigrants coming from a dissimilar or less established tax system are likely to be more non-compliant, due to differing beliefs around tax. According to Rothengatter (2005), the competing personal values and norms operational in the tax system are one of the main factors in the achievement of tax compliance.

3.3.2 Nature and Sources of Tax Complexity

Complexity in the tax system may arise from three sources: technical, structural and compliance (Adam et al., 2010), based on which it can be broadly classified into legislative complexity, policy complexity and operational complexity (Jones et al., 2014; Kaplow, 2009). Evans and Tran-Nam (2014) identify four major sources of tax complexity: policy complexity, statutory complexity, administrative complexity, and compliance complexity. Jones et al. (2014) argue that policy complexity mainly stems from reliefs and special cases. Snape (2015) views them as rule complexity, i.e., indeterminacy in legal language; compliance complexity, i.e., indeterminacy in completing returns; and, following Schenk (2011), transactional complexity i.e. the costs taxpayers bear to change their behaviours to reduce tax liabilities.

According to James (2007), the two biggest reasons for complexity are the desire to limit tax avoidance and to address fairness. Once the loopholes in the law are plugged, taxpayers and their advisers find ways to break them, and this process

goes on in a vicious circle. To Donaldson (2003), the purposes that the tax system aims to achieve – influencing compliance behaviours, changing social and economic behaviours, and balancing certainty – generate tax complexity. Tax policies are designed to achieve multiple objectives, from correcting market failures to perfecting social and economic justice (Sheffrin, 2013). In achieving policy goals, tax codes encompass a web of deductions, exemptions, and special treatments. Leguizamon (1991:29) observes that the tax exemption benefits given to small firms in Honduras and Guatemala in the early 1980s did not reach them because “Big firms split legally into smaller entities, so that each part constitutes a small business and has access to the benefits granted to S&MSBs.” And to overcome this problem, the technical assistance given to small businesses was mostly related to tax laws and accounting. The difficulties in small business accounting and taxes reverberate even today – “That’s what I pay my accountant to do” or “That’s just paperwork for taxes”, as observed by an immigrant business owner (Greenhalgh and Lowry, 2011:24).

Katz and Bommarito (2014) comment that tax laws reflect the present and the future realities of social and economic life, which is changing over time. Thus, there is a form of scaling relationship between laws and socio-economic realities. Tax laws become complex as a result of an endless number of amendments, appeals in the tax courts and variations in taxpayers’ class and social structure (Ingraham et al., 2005). The tax structure of a country, progressive, regressive or digressive, has much to do with tax complexity. According to Slemrod (2009), progressivity is one of the leading reasons that connects the tax burden with the taxpayer’s ability to pay. Slemrod says that tax progressivity adds a great deal of complexity in the measurement of income by requiring taxpayers’ income and

expenditure documents. The difference between tax and transfer is another reason for complexity in some countries, as Slemrod maintains.

Tax complexity arises not from the act of a single person, but from the interplay of a wide range of individuals, agencies and institutions. Based on a survey of 37 complex areas of US tax law, Ingraham et al. (2005) find that partnerships are the most complex area of US income tax law, followed by estate and gift tax, mostly in family businesses. In assessing the complexity of the UK tax law, the first point, Jelfs and Lymer (2009) note is the increasing length of tax codes. The language of tax codes is difficult to penetrate, not only for taxpayers but also for tax professionals. This argument is consistent with that of Sherwood (2012), who contends that the problem in putting new words into the tax law is that they are subject to interpretation.

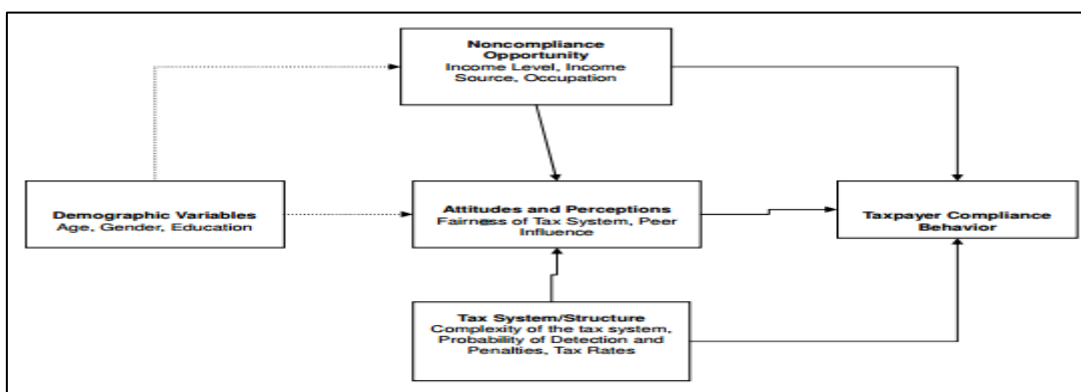
It is important to note that not these complexities apply to taxpayers and businesses of all types. A wide range of tax laws have become complex due to the development of intricate types of business transaction (Adam et al., 2010) and to the choice of trading vehicle, whether owned and managed by unrelated investors or by closely-connected individuals (Rayney, 2013). Badertscher et al. (2013) document how variations in ownership patterns influence the patterns of tax practice and the perceptions of tax planning. Likewise, Bjuggren and Sund (2001) note that a tax system that requires tax payments from a family business during the lifetime of the owner and later requires them from a new generation of owners causes uncertainty and wasteful rent-seeking behaviours in the business. It is also argued that complexity and obfuscation in the tax system is used to mask tax avoidance and rent-seeking activities by both family and some non-family firms, although the former are less interested in such activities than the latter

(Chen et al., 2010). For Speer et al. (2014), the most prominent reasons for tax complexity are the existence of multiple marginal tax rates and different tax treatment for different income groups, for example income adjustment on a tax filer's family status.

3.3.3 The Link Between Tax Complexity and Tax Compliance

Tax complexity is a non-economic determinant of tax compliance; but it has great economic and social implications (Richardson, 2006; Tsakumis et al., 2007). It was Jackson and Milliron (1986) who undertook the first major research on tax evasion and came up with 14 key determinants, grouped into economic and behavioural, tax complexity being placed in the latter category. Fisher et al. (1992 cited in Chau and Leung, 2009), in their tax compliance model, show that one of the important factors in forming taxpayers' attitudes to and perceptions of the tax system is the availability of non-compliance opportunities influenced by income level and occupation. Closely related to this, as a dominant factor in their model, is the complexity of the tax system or tax structure as shown in Figure 3.3.

Figure 3. 3 Tax complexity and tax compliance



Source: Fischer et al. (1992) tax compliance model (cited in Chau and Leung, 2009)

Employing data from 45 countries, Richardson (2006) provides evidence that tax complexity is the most significant determinant of tax evasion. He (ibid:150) argues that, “The lower the level of complexity and the higher the level of education, services, income source, fairness and tax morale, the lower is the level of tax evasion.”

Tax complexity affects the cognition of taxpayers and leads to the possibility of making a suboptimal decision (Katz and Bommarito, 2014). Tax complexity is one of the reasons for reduced technical accuracy and increased tax compliance cost. Torgler (2007), based on US experience, argues that tax complexity reduces the morale cost of tax non-compliance and induces intentional and unintentional non-compliance. However, the extent to which complexity affects tax risk attitudes depends on the type of taxpayers. A committed taxpayer, when faced with complexity, may over comply to reduce tax risk, while an uncommitted one will attempt to deceive the tax authorities even by risking his/her tax position (Morris and Lonsdale, 2004). Laffer et al. (2011:8) identify four major consequences of tax complexity: “decreased levels of voluntary compliance, increased cost for taxpayers, reduced perception of fairness, and increased difficulties in tax administration.”

Tax complexity may affect the reporting and disclosure behaviours of taxpayers (Hasseldine, 2015). Complexity not only creates difficulty in identifying true income and exemptions, it also creates problems for tax administrations seeking to give correct advice on income and exemption eligibility (Tsai and Yang, 2015). A survey by GAO (1990) shows that the IRS could only answer 63.6% of taxpayer’s questions on exemption correctly, and 65.3% on filing and tax computation, due to complicated tax laws. Besides the impact on revenue

collection, tax complexity leads to the development of tax software and increased use of tax professionals, entailing cost to businesses.

The vast amount of data required and obligatory supplying of information with respect to return filing are often claimed as one of the reasons for tax aggressiveness (Ingraham et al., 2005). Complexity, along with high tax rates, undermines the effectiveness of the tax compliance instruments. The effectiveness of tax audit as an instrument, as Hanlon et al. (2005) argue, depends on two provisions: first, easy tax laws; and second, efficient and honest tax administration. Krause (2000) emphatically submits that the enforcement strategy of tax authorities is directly affected by tax complexity. Complexity affects vertical and horizontal equity between and among taxpayers and creates distance between taxpayers and their tax administration (Freedman, 2003; Hasseldine, 2015). Tax complexity takes away taxpayers' privacy of information (Slemrod, 2009) and thus transparency between the government and taxpayers may become eroded.

3.3.4 Tax Complexity in the UK

Complexity has long been a feature of the UK tax system (James and Wallschutzky, 1997; Jelfs and Lymer, 2009). There have been many reforms and drives for simplification between the introduction of the original act, in 1799, and the formation of the OTS in 2010 (James, 2016). In recent history, the system first went through a simplification in 1965, when it was re-written in monosyllabic language to support users' understanding of it. But it became harder, and the tax codes began to grow in length and complexity, for instance, adding 1,300 pages over a period of five years (James and Wallschutzky, 1997). The tax law re-writing project announced in 1995 is claimed to have improved the quality of the

legislation but not the length of the documentation (Picciotto, 2007; Sawyer, 2012). Since its implementation in 2007, there have been enormous and uncontrollable additions to the legislation through yearly finance acts. McKerchar et al. (2009:381) comment, “The tax law rewrite project is misdirected in that it is not making the law simpler or easier (or cheaper) to comply with, and that the current system is lacking in integration and contains economic distortions.”

A more recent simplification drive is the Mirrlees Review (2011), which came up with priority areas of tax complexity that needed reform. Comparing the features of a good tax system and that of the UK, as in Table 3.3, Mirrlees et al. (2011:338) argue that, “There are many aspects of the UK tax system that fail to live up to this ideal.”

Table 3. 3 A good tax system and the current UK tax system

<i>A good tax system</i>	<i>The current UK tax system</i>
Taxes on earnings	
A progressive income tax with a transparent and coherent rate structure	An opaque jumble of different effective rates as a result of tapered allowances and a separate National Insurance system
A single integrated benefit for those with low income and/or high needs	A highly complex array of benefits
A schedule of effective tax rates that reflects evidence on behavioural responses	A rate structure that reduces employment and earnings more than necessary
Indirect taxes	
A largely uniform VAT – with a small number of targeted exceptions on economic efficiency grounds – and with equivalent taxes on financial services and housing	A VAT with extensive zero-rating, reduced-rating and exemption – financial services exempt; housing generally not subject to VAT but subject to a council tax not proportional to current property values
No transactions taxes	Stamp duties on transactions of property and of securities
Additional taxes on alcohol and tobacco	Additional taxes on alcohol and tobacco
Business taxes	
Single rate of corporation tax with no tax on the normal return on investment	Corporation tax differentiated by company profits and with no allowance for equity financing costs
Equal treatment of income derived from employment, self-employment and running a small company	Preferential treatment of self-employment and distributed profits
No tax on intermediate inputs – but land value tax at least for business and agricultural land	An input tax on buildings (business rates) – no land value taxes

Source: Adopted from Mirrlees et al. (2011)

As reported in the review, there is an opaque jumble of tax rates, due to tapered allowances and a complex array of benefits. The tax rate structure reduces employment and earnings, which is a major concern for immigrant communities highly dependent on self-employment (Yuengert, 1995), although there is preferential tax treatment available. Mirrlees et al. (2011) raise concern that the current system affects the choice of organizational form, between employment and self-employment, as well as the form of remuneration, between salary and dividends, one of the most frequently used methods of tax evasion by family businesses (Freedman, 2003; North and Trlin, 2004; Haynes et al.,1999). Aligning income from employment and self-employment is also important to increase the amount of national insurance contributions (NICs) paid by them, as they comment. Boissevain (2009) rightly points out that one of the reasons for a tendency to small business entrepreneurship and self-employment among ethnic businesses in the UK is to avoid heavy taxation and contributions to social welfare. One of the obvious costs of immigrants in all countries is the transfer of funds, e.g., family allowances, payments of social security, and so on (Sayad, 1999). This complexity-led tax avoidance opportunity has “stimulated larger enterprises to split up and people to start up their own”, as Boissevain (2009:29) claims.

A study by KPMG (2006) shows that a feature of tax rules in the UK is that many small businesses spend a huge amount of time and money learning this huge volume of laws only to be sure that these don't apply to them, and the ultimate gain from investments is little. The following table shows the vast number of tax rules businesses must consult to decide their tax matters.

Table 3. 4 Number of regulations, HMRC forms, information obligations and data requirements by tax area

Tax Area	Number of sources of regulations	Number of HMRC forms	Number of Information Obligations	Number of Data Requirements
Aggregates Levy	3	5	28	78
Air Passenger Duty	4	2	13	34
Capital Allowances	3	-	51	113
Capital Gains Tax	8	2	68	141
Climate Change Levy	4	5	48	191
Construction Industry Scheme	2	14	63	234
Corporation Tax	43	11	326	714
Customs	43	29	349	861
Double Tax Treaties	2	-	6	22
EC Sales List	2	2	8	12
Employer Taxes	22	27	164	580
Excise Duties	70	38	378	625
Gaming Duties	15	19	66	147
Income Tax for Businesses	34	12	194	531
Inheritance Tax	5	-	40	66
Insurance Premium Tax	5	7	48	108
Intrastat	2	1	13	25
Landfill Tax	2	10	47	232
Pensions	17	40	157	381
Petroleum Revenue Tax	10	12	63	75
Stamp Duty	23	-	51	107
Stamp Duty Land Tax	3	2	71	114
Stamp Duty Reserve Tax	3	-	18	48
Tax Credits	1	1	15	20
Tax Management Provisions	5	4	68	145
Tonnage Tax	2	1	15	24
Value Added Tax	63	30	299	954
Withholding Tax	4	5	25	32
HMRC Total		279	2,692	6,614

Source: KMPG (2006)

Table 3.4 shows the number of sources of legislation, forms, information and data requirement for tax filing. For business taxes, for example, there are 34 sources, 12 forms, 194 information obligations and 531 data requirements, according to the tax law in operation in 2006. This is just one area of the law. For corporation tax, the number of information obligations and data requirements is higher. There are more areas that small businesses need to focus on, for example, employment tax, capital gain tax, and so on. This prompts the question, which area of law should be the object of most attention for a small ethnic business owner with little or no formal or informal education or training in tax law or accounting? A survey

in 2005 shows that 77% of SME directors in the UK claim that the tax system is too complicated (Tenon Group, 2005, cited in Jelfs and Lymer, 2009). KPMG (2006: 5) suggests that, “HMRC needs to examine not only the main planks of the tax system that cause most of the burden, but also the long tail of minor obligations if it is to reduce the perception of complexity.”

3.3.5 Tax Professionals and Tax Complexities

Tax system complexity is one of the main reasons for taxpayers to appoint a tax adviser (Young, 2011; KPMG, 2006). Reliance on tax agents is very high among immigrant businesses. The Inland Revenue, New Zealand (2014) found that nearly three-quarters (72%) of immigrant businesses had a tax agent to manage their tax return. Cuccia (1994:43) remarks that the tax preparer’s task can be described as “resolving any uncertainty that may exist as to the tax consequences of ambiguous items” and maintaining the integrity of the tax system. But at the same time, to many tax advisers, tax law is a set of rules for playing the game (Morris and Lonsdale, 2004). It is argued that tax practitioners bend the law when there is ambiguity in the law. Ingraham et al. (2005) state that tax agents create a good metric of complexity in the tax system and influence taxpayer’s perceptions of tax risk and its management.

Dependence on tax professionals is more common among immigrant businesses because of the complex and new tax environment of the host country and the differences in accounting, financial and taxation practices (Wang et al., 2014). Even state-backed community support teams encourage taxpayers to depend on tax advisers. A comment from TLC (2015: 36), a community law clinic in Massachusetts, USA, is worth noting: “Because of the complexity and evolving nature of the federal and state tax statutes ... you should consult an accountant

or tax lawyer to confirm the specific forms that need to be filed.” In most cases, however, small immigrant businesses find their accountants and tax advisers through ethnic networks (Kloosterman et al., 1999; Janjuha-Jivraj,2003). Rothengatter (2005:303) notes that, “One of the most significant categories of advisors, and directly involved with tax-compliance, are commercial taxpayer services and tax-agents who work closely with ethnic entrepreneurs in the small-business sectors.” This tendency to dependence on an ethnic network is less among high-skilled immigrants than low-skilled ones, because of their greater ability to accumulate information (Liebig and Poza, 2005).

Greenhalgh and Lowry (2011) observe that the value ethnic businesses create is directly influenced by how they prepare their tax returns. Thus, taxpayers not comfortable with their return preparation have to depend on experts to interpret the latest tax regulations and submit their returns. But small businesses cannot afford expensive legal and accounting support, and thus face difficulty in understanding tax laws and regulations (James, 2007; Loutzenhiser, 2009). In cases of disagreement with the tax authorities, they cannot present their case effectively to the courts. However, there are special provisions for small businesses as well. For example, small businesses in the UK enjoy the privilege of submitting simplified tax returns – mentioning turnover figures, expenses and net profit only (James, 2007).

3.4 Theories and Perspectives on Tax Compliance and Complexity

As mentioned in section 1.1, tax compliance behaviours can be explained from different perspectives and viewpoints. For an in-depth understanding of how the immigrant business taxpayers perceive tax compliance and engage with the tax system, these perspectives need to be explored. Although this study applies

Bourdieu's theory of practice as the theoretical framework, the other theoretical perspectives, especially the sociological one, from where Bourdieu's thoughts originate, will help integrate his ideas more widely in the broad policy literature of tax compliance.

It should be mentioned that approaches to understanding tax complexity are like approaches to understanding tax compliance, because many of the problems of uncertainty, unpredictability and difficulty in tax requirements arise from taxpayers' inability to define tax compliance as a problem. Milliron (1985:794) argues that, "Complexity ...has been singled out as a factor affecting compliance and ... viewed as one step in an ongoing program of study of noncompliance." Graetz's (1997) thoughtful comment that tax simplification is the most significant route to tax compliance pushes this proposition further, suggesting that what explains tax complexity may, to a considerable extent, explain tax compliance. There are four major perspectives, as shown in Figure 3.4, from which tax complexity and tax compliance can be understood.

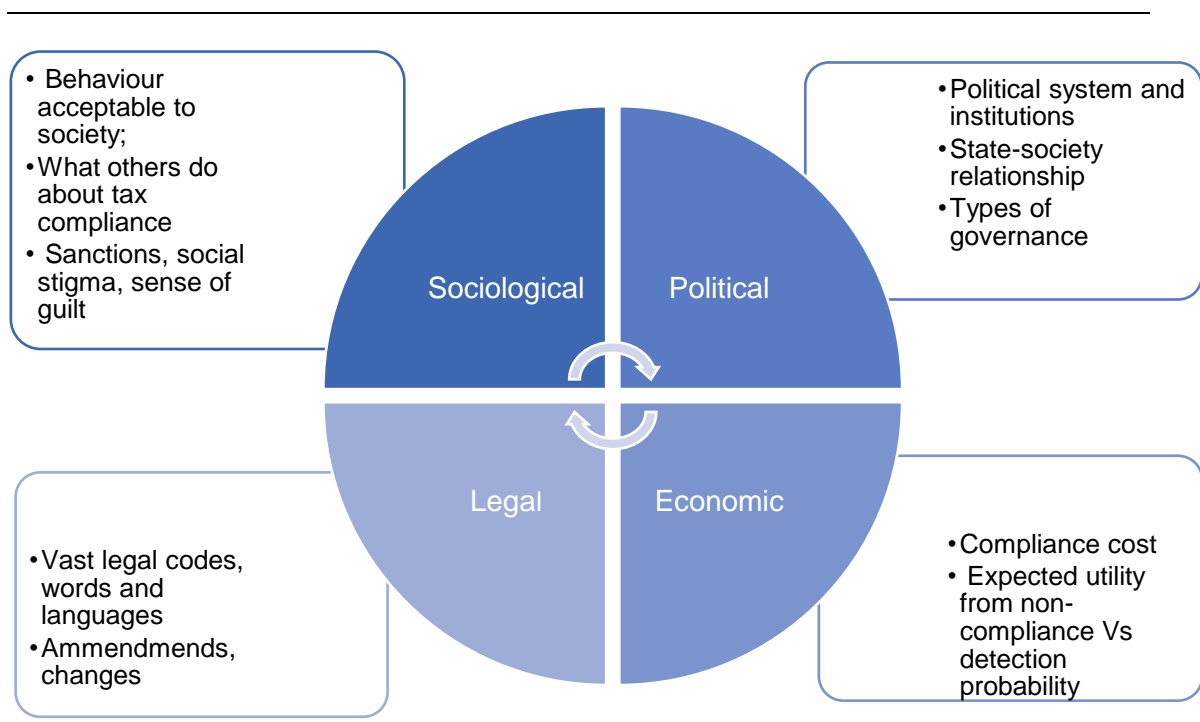
3.4.1 Sociological Perspective

From a sociological perspective, or more precisely, from the perspective of fiscal sociology, beginning with the seminal work of Goldscheid and Schumpeter (1918), social norms and practices have occupied a significant role in tax compliance behaviour (Song and Yarbrough, 1978). Social norms refer to behaviours acceptable to a society (Jenkins and Forlemu, 1993), where taxpayers' culture, attitude, habits (Chau and Leung, 2009), age, education, and ownership patterns (in the cases of businesses) (Fischer et al., 1992, cited in Chau and Leung, 2009) play a significant role. Even though a variety of views as to its aims exists in fiscal sociology, the main purpose is to investigate the relationship between taxation, state and society from "a wide range of cultural,

economic, institutional and historical factors” and to unpack “the complex social interactions involved” (James, 2012:112). The following remarks from Grasmick and Scott (1982:213) illustrate the role of social perspectives in taxation: “Deterrence theory posits three mechanisms of social control: legal sanctions (state-imposed punishment), social stigma (peer-imposed punishment), and guilt feelings (self-imposed punishment).”

Based on the Bourdieusian theory of practice, Oats and Morris (2015) argue that tax complexity will remain unresolved and breed further complexities if it is viewed only as an economic problem. In a study of tax compliance attitudes among Indian, Chinese, UK, and Australian immigrant businesses in New Zealand, it was concluded that, “Believing that others were not necessarily honest with their tax obligations was one of the strongest predictors of hidden economy participation”, (Inland Revenue, New Zealand, 2014).

Figure 3. 4 Perspectives from which to view tax compliance and complexity



Source: Candidate’s own figure

3.4.2 Political Perspective

A tax system is the outcome of a political process, and this process can provide an important insight into the causes and origins of tax complexity (Katz and Bommarito, 2014). Political regimes amend tax laws in a way that consolidates their re-election chances and improves their short-term popularity (James, 2007) without considering the impact this rent-seeking behaviour may have on legal complexities (Katz and Bommarito, 2014; Snape, 2011). Galli and Profeta (2007:5) claim that, “In a democracy political competition requires complexity, i.e. many tax rates”, which allows careful discrimination among heterogeneous voters.

Wagner (1976) remarks that the way tax features are chosen by political regimes has implications for the enactment process, the excess burden, and perhaps for the complexity of the system. In a democracy, taxes are imposed through the participation of the people, which establishes an ownership of the tax system. In most countries, immigrants are the “alien trader”, as Max Weber called them (Light, 2005), and not part of the mainstream community. For tax compliance to flourish to its expected level, Rothengatter (2005) suggests that it is essential that culturally diverse ethnic communities are not politically alienated. Nor should their mixed national identities and loyalties be ignored and divided. It is vital that the dichotomous forces in a multicultural society are recognized in the application and enforcement of tax laws.

Drori et al. (2010) argue that legal and regulatory systems differ substantially between countries, which may pose challenges for immigrant businesses. To mitigate this problem, immigrants may lobby for tax exemptions through social and political connections. Rath (2000) reminds us that, for small immigrant

businesses to survive, they are dependent not only on dealing with tax laws and regulations, and on their residency status, but also on the way the laws are enforced and the political conflicts related to these.

3.4.3 Legal Perspective

Legal clarity and certainty are essential to the application of the law (Duff, 2008). In practice, however, the clarity of the law is limited. Some noteworthy research studies have been conducted to measure tax complexity from the legal perspective (McCaffery, 2000; Paul, 1997; Donaldson 2003; Slemrod 2005) but have failed to produce a result. In Picciotto's (2007:14) view, "Legal complexity comes from the attempt to draw up rules that are precise and that anticipate every contingency, resulting in a highly complex tax code".

According to Bourcier and Mazzega (2007), the three primary features responsible for the complexity of a law are structure, language, and interdependence. Legal codes, in the area of taxation or elsewhere, are documented in a structured, hierarchical network or tree that starts with a title at the top and has hundreds of thousands of provisions below, with words, language and finally citations to establish inter-provision links and dependencies. Legislative complexity is not attained overnight. Little amendments, annotations, and additions each contribute slightly to the overall complexity, and in the long run the complexity becomes extremely unwieldy. Non-legislative¹⁴ drafting, mostly done by HMRC, who don't have the stylistic expertise to create legal

¹⁴ Non-legislative rule-making refers to the rules made by HMRC and HM treasury based on powers given to them under secondary or tertiary legislation. The inherent complexity of some rules can require making a non-legislative rule to further clarify a complex rule. Manuals, explanatory statements, and special regulatory notes are typical examples of non-legislative drafting (Bowler, 2009).

documents, makes many rules imprecise and increases legal complexity (Bowler, 2009). To reduce complexity, and to achieve the desired social objectives, detailed descriptions and exact specifications to apply to individuals in similar and dissimilar circumstances are needed. The law must demonstrate treatment common for all, and then distinguish the cases needing differential treatment.

3.4.4 Economic Perspective

Tax complexity first became a topic of prime importance in the canons of Adam Smith, the father of modern economics; although in today's economics, it is a neglected or less interesting area of research (Tran- Nam, 2015). The underlying argument of this approach is that taxpayers decide between risky or uncertain situations by comparing their expected utility values (Becker, 1968). Accordingly, in public finance theories, tax complexity is viewed as a serious problem, as it uses up scarce resources (Slemrod, 2009). An often-used rule of thumb for measuring tax complexity is tax compliance cost – what quantity of resources must be sacrificed to collect the revenue. A commonly used equation, as Tran-Nam (2014) puts it, is: Tax compliance costs = Tax computation costs + Tax planning costs.

Conceptually, computational and planning costs are understandable. Costs are inevitable when taxpayers have made a basic investment in a technology to achieve some level of compliance; whereas any cost arising over the basic may be due to poor record keeping, and thus be a preventable cost. Costs are not always measurable monetarily. Some part of them may be difficult or beyond measurement, and psychic tension or pressure may be felt in the tax compliance game. In an economic approach to tax, compliance costs are divided into direct and indirect costs. The direct costs of complex tax systems include administrative

and tax compliance costs (Tran-Nam, 2014). The administrative cost is the cost the tax authorities bear in collecting a certain amount of revenue; whereas compliance costs are born by the taxpayers or other third parties in satisfying government conditions.

Critics of the economic perspective argue that optimal tax theories trigger complexity through a multiple-rate structure and exemptions (Freedman, 2003; Jones et al., 2014). Freedman (2003:14) notes that, “Targeting relief is a major problem” for small business support and “can give rise to complexity if poorly designed – the phenomenon of complex deregulation.”

3.4.5 Immigrant Businesses: How Does Tax Complexity Affect Them?

For immigrant businesses, government policies relating to taxes play a significant role (Kwok-bun, 2005). North and Trlin (2004) remark that complex tax regulation may create more dangers for immigrant-run businesses than for native ones, because paying taxes properly is an essential condition for their existence in the host country. According to Rothengatter (2005), it is important that, where there is a conflict of norms and practices between the new and the old cultures of immigrant communities, these are recognised in the inherently complex structure of the tax system. Difficulties in dealing with tax laws may push members of these communities to the edge of legality in areas such as tax evasion and non-registration of business (Ojo et al., 2013). Commenting on an unhelpful regulatory environment and heavy compliance costs, a Chinese family business owner said of the New Zealand tax system, “We have so much paper work the Government requires us to follow - our ACC system, our income structure, GST - all these to put together and you go ‘why would I want to do that?’ *And then you still have to pay high tax on top of that!*” (de Vries, 2007:26).

In making a comparison between tax compliance costs and tax complexity as a problem of tax compliance in New Zealand, Yuan et al. (2013) argue that immigrant businesses suffer more from the latter than the former, particularly immigrants coming from low-income countries. In the US, it is claimed that immigrant businesses and the resurgence of small businesses are contemporaneous: “The either might have caused the other”, and tax policy is one of the interventions intended to support small immigrant businesses (Light and Bonachich, 1988:13). In order to support small immigrant businesses, the US IRS thinks it may even be acceptable to tolerate some degree of tax evasion, so that these businesses do not go underground and remain competitive.

High tax rates and tax complexity are considered as two significant factors that may affect the perception of tax system fairness and lead to manipulation of the tax system. An immigrant business owner comments, “We have two books, the good book we give to IRD, we fully fill our obligations just there’s so many small tricks we can do. Also, maybe sometimes you won’t get that much, but try to legally as possible avoid, you can always find a way” (Inland Revenue, New Zealand, 2014:37). Panayiotopoulos’s (2006) study of immigrant businesses in Los Angeles reports that underpayment and non-payment of taxes are a major concern when the tax authorities consider immigrant entrepreneurs. Likewise, Light and Bhachu (2004) suggest that huge cash operations and informal activities by Haitians in Miami are due to their lack of clear knowledge about the tax system and tax collectors. Putting this a bit differently, Delgado (2011) makes an interesting observation that small ethnic businesses live in a complex community economic system and prefer to remain in the informal economy, which makes their engagement with the tax system more complicated.

Referring to economic theories of entrepreneurship, Watson et al. (2000) suggest that high-tax rates are a barrier to financing and starting up ethnic minority businesses, which leads these businesses to establish entrepreneurial activities in the unregulated and untaxed sectors. The large concentrations of ethnic businesses in the low-profit sector, in their view, is an outcome of high and complex tax rate structure. Yuengert (1995) argues that immigrants are in general subject to higher tax rates than the native businesses. In a study of the usual challenges SME immigrant businesses face in New Zealand, a complex tax system and high tax rates were rated to be the second barrier after linguistic and cultural differences. Moon et al.'s study (2014) of ethnic businesses in Arkansas, USA, shows that, among 21 communities, understanding government regulations and taxes were rated the second biggest barrier to business formation after start-up capital. And this was an even greater obstacle for ethnic businesses in rural settings than for those in urban ones. Among other immigrant businesses, those in the investment category cited accounting practices as a major problem that made smooth audit trails difficult (Department of Labour, New Zealand, 2002).

Shanker and Astrachan (1996) are of the view that the controversies concerning family businesses, which make up a major section of immigrant businesses, particularly controversies relating to their definition, and the contribution they make to the economy in terms of employment creation and tax payment, are linked to the tax policy of the country. Unclear tax laws allow the family business owners and their CEOs to hide their rent-extraction activities, for example, income, perquisites and compensation, and become more tax aggressive (Steijvers and Niskanen, 2011). In this regard, Loutzenhiser (2009) is of the view that income-splitting, a standard practice for many family businesses, is an

outcome of the substitution effect created by the feature of progressivity in the tax system. The more a tax system aims at considering individual circumstances, the more information and details will be needed, and the more complex the tax system becomes. Thus, certainty and complexity are negatively related. Loutzenhiser (2009 :50) observes, “certainty can often come at the expense of complexity and cost.”

It is not just for tax compliance issues that a complex array of taxes weighs heavily in immigrant business owners’ response to paying for social welfare benefits. Freeman and Ogelman (2000:120) observe, “The cost of social benefits contributions encourages employers (indigenous and immigrant) to push their activities underground ... to escape paying social security and other welfare related taxes.” On this point, Light (2000) adds that the wages of immigrant workers are not reported to tax officials, which makes their jobs insecure. Wahlbeck (2007) argues that immigrant employers employ clandestine workers who are often illegal and do not know the language of the host country. Thus, immigrant business owners “exploit, they pay less salary, they avoid paying taxes” and they avoid social security payments for their employees, as Wahlbak (2007:556) contends.

In support of immigrant businesses in their engagement with tax complexity, Li (2010) argues that how ethnic minorities are recognized in a society is an important factor in their tax compliance attitude. A continuous influx of immigrants into a country changes the homogeneity of its demographic structure and erodes its national identity, which in turn may affect its tax morale. One way of reducing tax complexity in such a heterogenous society is to increase inclusiveness in the tax system, as Li points out. For example, the State of California introduced a

Spanish version of online return filing for sales tax, and this increased return filing by the Latino community. In this connection, North and Trlin (2004) recommend that government agencies should provide legal and advisory resources in an appropriate language for immigrants not familiar with English, in addition to providing them with GST and other tax reliefs. In their study across 50 countries, Tsakumis et al. (2007) find that national tax culture influences tax compliance levels and suggest investigating the role of legal and tax systems in conjunction with national cultures to develop a framework for an all-inclusive tax compliance model.

In consideration of complex tax and other legal and fiscal legislation, the German Government have been running a semi-public organisation, *Unternehmer ohne Grenzen* (Entrepreneurs without borders) programme since 2000 (OECD, 2011). The UK Government's Ethnic Minority Business Service (EMBS) is another example which provides start-up businesses services to immigrant entrepreneurs, including tax and employment legislation, book-keeping, business planning and finance. Technical assistance in the legal and tax areas is also provided to help immigrants across the US operate businesses, even if they are undocumented (TLC, 2015). Ojo et al. (2013) rightly point out that complexities in tax regulations not only deter immigrants from *becoming legal* but also from *remaining legal*. It is by tax compliance, as by the implementation of health and safety regulations, that immigrant communities can renew the legality of their businesses and remain in a foreign land.

3.5 Perception of Tax Risk and its Management

The section begins with a conceptual review of tax risk and its components, followed by a discussion of small business taxpayers and their risk behaviour. It then touches upon the cultural and ethnic aspects of risk-taking behaviours in the context of immigrant businesses. The section attempts to find out how tax system complexity contributes to the generation of tax risk in immigrant business communities. Finally, it looks at the risk management practices of immigrant communities, the problems they face, and the ways they resolve them.

3.5.1 Tax Risk: A Conceptual and Theoretical Review

In systematic terms, risk refers to the possibility of anything arising that may affect organizations or individuals adversely (Daelen and Ven, 2010). Risk is different from uncertainty (Power, 2004), because uncertainties are not calculable, whereas risk can be calculated. Business activities give rise to various uncertainties that pertain to the application and practice of tax law. For example, businesses may be uncertain as to when and how to file a tax return, report income and pay income taxes. These uncertainties generate tax risk of different types, for example, registration risk, filing risk, payment risk, and reporting risk (Freedman, 2010)¹⁵. According to Neto (2017:55), "Tax risks include the risk of paying more or less tax than legally required... resulting in ... additional costs which are difficult to measure. Errors in assessing the tax effects of transactions may lead to wrong business decisions." Ernst and Young (2004, cited in Milligan and Oats, 2009) define tax risk as "any event, action, or inaction in tax

¹⁵ Tax risks can further be classified as technical and non-technical, depending on whether they arise from legislative interpretation or from other areas. Technical tax risks arise mainly due to a knowledge gap or difficulty in interpreting tax legislation, for example, uncertainties in determining taxable income or tax calculation, while non-technical risk includes factors such as reputational risk; although it is a matter of debate whether tax disputes damage reputation (Freedman, 2008).

strategy...that adversely affects either the company's tax or business operations.”

Most small businesses lack proper tax knowledge (Kamleitner et al.,2012) and suffer from uncertainty in fixing their tax liabilities without the help of a tax adviser (Torgler, 2003). For small immigrant businesses, these difficulties are even more likely, due to cultural, linguistic and legal system differences (Kloosterman et al., 1999; Liebig and Poza, 2005).

The risk that a family business owner or a small business can bear is a critical factor in its tax compliance action (Xiao et al., 2001). Risk behaviors have been explained from different theoretical perspectives and approaches. Broadly, the perspectives are: analytical and behavioral. The analytical perspective suggests that, in risky or uncertain conditions, individuals make risk decisions by comparing the expected utility and cost of a given risk (Becker, 1968). The entire stream of public economics holds this view, and models tax compliance within the probabilistic framework of deterrent factors, i.e., penalty, audit and prosecution (Becker, 1968; Allingham and Sandmo,1972)¹⁶.

The deterrence-based risk theories of tax compliance have been challenged and extended to examine the importance of social norms, culture and demographic features in taking tax risk decisions. Several studies provide strong evidence that tax compliance attitudes are shaped by social as well as institutional norms and procedures (Togler, 2007; Kirchler, 2007; Tsakumis et al., 2007; Onu and Oats,

¹⁶ In analysing the maximization of expected income, an assumption of tax compliance in the original model by Allingham and Sandmo (1972), risk and penalty were essential. Kahneman and Tversky (1979) reach new heights in explaining risk behaviour, arguing that, in general, individuals are risk-averse when facing gain and risk-seeking when facing loss.

2015). The non-risk-based theories propose improving tax compliance behaviors by stimulating trust, cooperation and respectful treatment of the taxpayer¹⁷.

The non-risk or behavioral tax compliance view implies that taxpayers hold certain beliefs, which may not vary with the potential threat of punishment and sanctions, but rather with their ethical and moral standards. Power (2004:18) rightly comments that, 'Individual attitudes to risk are far from being a given. Research... challenges highly rationalistic models of risk analysis which assume away the important psychological and cultural dimensions of risk understanding.'

3.5.2 Tax Risk in Small Business Community

To encourage tax compliance, it is important to know the tax risk attitude of immigrant family businesses who mostly belong to the small business category (Feltham et al., 2005; BIS, 2014; Aldrich and Waldinger, 1990). It is thus relevant to know the basic features of small businesses, first to understand the nature of immigrant family businesses. According to the European Commission (2016), a small business is likely to have the features listed in Table 3.5. This definition is widely used by the UK Department of Business, Innovation and Skills (BIR), although after the Brexit process is completed in 2019, a new definition of small businesses may be required.

¹⁷ For example, the intentions theory, developed by Fishbein and Ajzen (1975), argues that individual attitudes towards tax evasion are affected by age, education, income and several other demographic features. Following the same line of thought, the norms of the tax compliance model contend that if a society considers evasion to be wrong and immoral, taxpayers will be less non-compliant (Jenkins and Forlemu, 1993). A society with a strong habit of non-compliance tends to encourage tax evasion to continue. An extension of this proposition is the inertia model, which asserts that once an individual is accustomed to certain norms and practices, it is difficult for him/her to suddenly withdraw from them. Similarly, a taxpayer with a long-standing history of tax compliance does not suddenly become a violator (Jenkins and Forlemu, 1993) due to the fear of detection by the authorities, but due to the habit of compliance.

Table 3. 5 Criteria for small business

Enterprise category	Headcount: annual work unit (AWU)	Annual turnover	or	Annual balance sheet total
Medium-sized	< 250	≤ EUR 50 million	or	≤ EUR 43 million
Small	< 50	≤ EUR 10 million	or	≤ EUR 10 million
Micro	< 10	≤ EUR 2 million	or	≤ EUR 2 million

Source: European Commission, 2016

As shown in the Table 3.5, the first criterion that a small business must meet is to have no more than 50 employees; second, it must have a maximum yearly turnover of 10 million Euros; and/or third, it must have maximum total assets of 10 million Euros. The employee headcount is a compulsory part of the definition, but not a sole criterion (OECD, 2009), whilst it is permitted to choose either of the criteria, turnover or total assets, to define small businesses (Federation of Small Business, 2011). A single definition of small businesses is not enough, as businesses differ across countries and over time (OECD,2009).

In many countries, small businesses are identified with hard-to-tax groups who often fail to register voluntarily and keep appropriate records of their income and costs, and who are often engaged in the informal sector (Thuronyi, 2004). Ojo et al. (2013:591) comment that, “Informality is the quintessential response of small firms to minimizing cost, risk, inconvenience and paperwork”, which has a detrimental effect on tax regulations. Tax risks not only pose a threat to the survival of small businesses, and push them to be informal; they also threaten

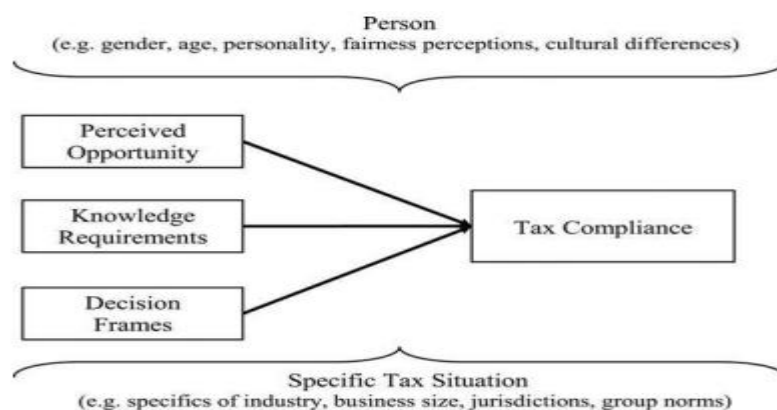
the family life of business owners, as echoed by a Nigerian immigrant in London: “I used to do my businesses in a shop you know, but the over-heads; rates, taxes, bills, etc. were just too unaffordable ... but I’m doing well now that I operate from home ... the icing on the cake is that I have time to bond more with my children”, Ojo et al. (2013:599).

Reviewing the literature on small business tax compliance, Kamleitner et al. (2012) point out the following three attributes of owner managers’ tax situations:

- a) Self-assessment and poor record-keeping lead to the opportunity for non-compliance;
- b) In filing returns and facing different taxes, they need extensive knowledge of tax rules;
- c) because of partial disclosure of gross income, they may encounter different options for framing taxes.

Based on a psychological perspective of tax compliance, these authors propose the following framework for the tax compliance of small business owners:

Figure 3. 5 Psychological framework for small business owners’ tax compliance



Source: Kamleitner et al. (2012)

The framework, as shown in Figure 3.5, suggests that there are three main factors underlying small business owners' tax compliance, each of which is influenced by several other factors. Perceived opportunity, for example, is being determined by risk-seeking attitude, age, gender, industry sector, norms and social networks and jurisdictions and culture. Seeking an opportunity can be easy or difficult, depending on an owner's knowledge and skills in handling tax laws, which are often complex and require expertise to deal with. Finally, in framing tax decisions, referring to prospect theory, Kamleitner et al. (2012) contend that small taxpayers view paying taxes, including paying employment taxes, as a loss. Tax noncompliance, thus, could be a natural consequence of paying taxes being perceived to be painful (Alm et al., 2004).

In developing perception of tax risk, complicated tax systems and record-keeping play a vital role. In almost all business transactions, there is uncertainty as to how the specific tax law will apply, especially in complex areas of tax law. Sometimes, there is a lack of proper documentation to record a transaction. Survey findings show that the complexity of tax law (86.6%) and the uncertainties it creates for businesses (82.9%) contribute highly to the generation of tax risk (PwC, 2004). A great deal of complexity, again, is being caused by changes in the legislation and in the accounting systems. Added to this is the high tax rate, which makes tax compliance burdensome for taxpayers, who want to get rid of this by looking for loopholes in the tax law; and to complicate the tax law further, as Yuengert (1995) finds that a high marginal tax rate leads people to be self-employed and to take greater advantage of tax avoidance. Self-employment gives them the opportunity to avoid detection by tax authorities and manage tax risk. In explaining the growth of immigrant self-employment in the urban US, Light and Rosenstein (1995) refer

to the contribution of easy tax laws. A tax regime favourable to immigrant businesses, with clear, comprehensible tax codes, and reduced tax risk, encourages immigrant business activities.

Mejia et al. (2007) find that family owned businesses in Spain organize cooperative forums to manage tax compliance, to get exemption from tax, or to pay tax at a reduced tax rate. They (ibid: 117) note that a “family-owned mill can greatly reduce its performance hazard by voluntarily joining a cooperative, because of tax advantages.” Tong (2014) comments that when the business grows continuously, Chinese family firms in Singapore are converted into private limited companies, to take advantage of tax-breaks and reduce risk. In this connection, Mejia et al. (2007) comment that the socio-economic wealth family businesses possess helps decrease business risks, although it takes away family control of the business to some extent. Similarly, accounting and bookkeeping is viewed as a pivotally important support area for Latino businesses in the US, especially during the transitional and adaption period (Levitt, 1995).

Table 3. 6 Book-keeping method used and need for book-keeping training

Bookkeeping method	n	Need training		
		Yes	No	Refused
Outside accountant	39	16	23	
Do-it-yourself software	22	14	8	
Do it yourself manually	7	5	2	
Accounting employee	6	2	3	1
Refused	5	3	2	

Source: Pabon and Klima (2017)

Book-keeping support is inevitably required for small businesses, whether they use a tax adviser/accounting software or depend on manual skills to manage their taxes (Pabon and Klima, 2017). As Table 3.6 shows, those who maintain records manually, i.e. five out of seven respondents, or 71%, need more training than

those who use accounting software or appoint an outside accountant. Even respondents who refused to disclose their book-keeping method desired to have training on record-keeping.

3.5.3 Culture, Tax Risk and Immigrant Businesses

Looking at tax compliance from the viewpoint of taxpayers' ethnic identity is important because of the way ethnic features define the identity of an individual. Constant and Zimmermann (2013:271) reflect that, "Ethnic identities of immigrants are important, because... ethnic identity defines who people think they are, how they perceive themselves with respect to others and how they make decisions in their everyday life." Looking at Chinese and Turkish ethnic businesses in the UK, Altinay and Madanoglu (2014) provide empirical evidence that there is a positive relationship between ethnicity and the risk-taking tendencies of immigrant entrepreneurs. Loo and McKerchar's (2011, cited in Yuan et al., 2013) study of ethnic groups in Malaysia illustrates that ethnicity is significantly correlated to risk behaviour and very likely to influence tax compliance indirectly. This leads Brink and Porcano (2017) to claim that taxpayers with certain cultural backgrounds may reveal lower tendencies to tax evasion when tax regulations create uncertainty, while some others may not. Danes et al. (2008:238), who carried out a cross-cultural risk study of Mexican immigrants in the US, suggest that, "Mexican Americans ... [are more] inclined to be risk-takers than their mainstream counterparts" and that, "Hispanics tend to be ...less inclined to be risk-takers than Euro-Americans."

Using findings from a survey of New Zealanders of European descent (Pakehea) and indigenous Polynesian New Zealanders (Maori), Frederick and Henry (2004) show that the former group are more inclined to be risk takers, and willing to accept uncertainty, than the latter. An ability to take risks inspires ethnic

communities to find creative and innovative ways of addressing business problems, including taxes. Frederick and Henry discovered that that legal codes are universally applicable to both these communities, with no preferential treatment, and it is individual attributes or risk-taking traits that make the Europeans more successful in their businesses than the Polynesians. Also, due to their risk-averse nature, Maori entrepreneurs see tax compliance as a more serious impediment than Europeans (Frederick and Henry,2004). Among other studies, Xiao et al. (2001), using data from consumer finance sources, suggest that Caucasian family business owners are more risk tolerant than non-Caucasian owners.

Looking at the subject slightly differently and comparing the risk-taking attitudes of Indian and Bangladeshi small businesses, Amin and Banerjee (2007) argue that small business entrepreneurs in all cultures are ambitious and risk-takers. In the case of immigrants to the US, Delgado (2011) offers a complementary finding that risk taking is an essential quality both for entrepreneurs and for immigrants seeking a better life for themselves and their families. Similarly, tax evasion and non-compliance have a been a daily issue for small immigrant businesses in Australia, regardless of their ethnic identity, and these people believe that, “It represents a pay-off for taking risks”, Rothengatter (2005:305).

Referring to approaches to entrepreneurship that suggest the quality is related to culture, Andrejuk (2016) argues that all immigrant communities are ambitious and risk-takers. One of the reasons for this, according to Andrejuk, is that immigrant entrepreneurs have a low perception of risk and view risk-taking as a route to achieving larger payoffs, although Basu and Altinay (2002) advance a contrary argument that thrift and hard work are the basis of immigrants’ success, rather

than risk-taking. According to Whybrow (2005:56), "Migrants have a different mind-set when it comes to risk". On the one hand, they acknowledge the danger in risk-taking; on the other hand, they see the opportunity that may arise from such a risk. De Vries (2007), in his research, also finds that the risk aspect of looking for opportunity is implicit in the actions of immigrant businesses in New Zealand. It may be that frugality, industriousness, and risk-taking – all three – are essential qualities for immigrant businesses (Yuan et al., 2013; Whybrow,2005; and Benson-Rea and Rawlinson, 2003).

Against this idea, Constant and Zimmermann (2013) argue that the Asian - American and the African American are found risk-averse compared to the white American. Morris and Schidenhutte (2005) comment that East Asian ethnic entrepreneurs take a risk only after a through calculation. Discussing the financial risk-taking behaviours of Asian immigrants in the UK, Dhaliwal (2008) points out that these people tend to be risk-averse but easily get frustrated by procedural bureaucracy.

A wide range of tax compliance research studies have examined the effect of culture on taxpayers' risk behaviour. An innovative way to examine the role of culture in tax compliance may be to explore the tax risk attitudes and tax management of immigrant taxpayers (Luttmer and Singhal,2014; Kountouris and Remoundou, 2013). Kountouris and Remoundou (2013: 105,117) conclude that, "Immigrants originating from countries with higher tax morale report higher individual moral persuasion towards paying taxes," and, "Tax culture in the country of origin is a significant determinant of individual tax morale in the destination country." Lee and Peterson (2000) reinforce this view that a society's tendency to produce risk-taking, autonomous and proactive entrepreneurs

depends on its cultural foundation. Cultural identity, however, is only one item influencing attitudes to tax risk. A closely related factor here is the environmental or institutional setting surrounding the taxpayer. Cummings et al. (2001:11), based on the findings of a research study conducted in three different countries – the US, South Africa and Botswana – initially comment that a compliance decision, for a “given set of parameters and a given cultural baseline is a function of risk attitude”. Later, they contend that the differences in compliance behaviours across the three countries are not due to differences in risk attitude alone but also to differences in government behaviours and tax institutions.

Dornstein’s (1976) explanation encompasses similar, yet wider, issues with far-reaching effects on tax risk attitude. He emphasizes the importance of understanding an immigrant’s sociocultural background to understand his attitude towards tax risk and tax compliance. Dornstein finds that Israeli immigrants coming from underdeveloped or developing countries with nondemocratic socio-political backgrounds are relatively less tax compliant than native Israelis or immigrants coming from developed countries. He further suggested that immigrants who have been longer in Israel are more tax compliant than immigrants who have had a shorter stay. In this connection, Alm and Torgler (2006) suggest that the effect of income and other tax compliance determinants on tax morale depends on the risk preferences of the taxpayers, among other factors. Again, income as a factor is likely to affect the tax risk behaviour of South Asian immigrants more strongly than others who are at high risk of poor income and social exclusion (ONS, 2011; IPPR.2007). Franceschelli (2013:58) comments that Bangladeshis and Pakistanis are the most vulnerable income groups in the UK, which may be an outcome of their “working status; the level of deprivation of the areas where they live; low qualifications; and larger average family size.”

Therefore, in dealing with tax risk, Freedman et al. (2008) argue that emphasis should be placed on behavioural as well as structural factors.

3.5.4 Tax Planning in Immigrant Family Businesses

There remains disagreement about the use and need for tax planning in small businesses. Tax planning is not regarded as an inevitable feature of small immigrant businesses, nor is it a supporting tool for business success or satisfaction (Stanworth and Gray, 1991 cited in Sian and Roberts, 2009; Pabon and Klima, 2017). Of Latino businesses in the US, 50% do not have any written business or tax planning, yet they derive great satisfaction from their businesses (Pabon and Klima, 2017). In explaining this, Stanworth and Gray (1991, cited in Sian and Roberts, 2009) submit that it is their independence and involvement in ownership, rather than money, that works as the motivational force for owner managers.

However, there is evidence that tax planning is a pre-condition for successful management of family business wealth (Morris et al., 1997), not a device for taking undue and evasive tax advantages. Sian and Roberts (2009) and Poutziouris (2011) comment that owner-managers are less interested in using statutory accounting and financial statements for tax planning advantage. Nam and Herbert (1999) support this finding with evidence that there is a correlation between net income and the tax planning that family businesses undertake, which also indicates the bearing it has on tax risk and financial management.

An OECD report (2009:97) on SME taxation points out that, “Multinational organizations are not the only business entities with opportunities taken to tax-plan... perfectly legal opportunities may be taken by SMEs to minimize tax bills.” Many SMEs attempt to structure their business as a limited partnership, trust or

special corporate entity; or they may incorporate the business if the corporate tax rate is lower than the personal tax rate (OECD, 2009). Similarly, Ahmed and Braithwaite (2005) argue that, in many cases, small businesses are not much different to other taxpayers, especially in several attitudinal and psychological factors contributing to tax compliance. Ahmed and Braithwaite however comment that small businesses differ in terms of tax morale and work practices compared to other businesses, which seems contradictory, to some extent. This is because attitudinal and psychological factors are essential elements in measuring tax morale (Brink and Porcano, 2016).

Shailer's (1993) observation is, however, different. She notes that the risk attitude of owner-managed firms is different with respect to the tax implications of debt and equity financing, which may cause them to get involved in off-balance sheet activities and organize tax planning to hide those activities. She adds (ibid: 231,235) that, "Some firms represent double counting in that a number were the product of tax planning" and "taking advantage of different marginal tax rates" or tax relief. There are ample of examples of small businesses attempting to characterise personal expenses as business expense, as in all other businesses (OECD,2009).

Furthermore, for both family and non-family firms, non-debt tax shields, for example depreciation, are a widely used financial practice to reduce tax burden without increasing tax risk. Tax risk is usually higher when firms plan to reduce such risk by claiming deductions on expenditure and allowances, or taking debts with banks (Gracia and Andújar,2007). Christensen and Murphy (2004) contend that, compelled by the profit imperative, firms see in tax planning a euphemism for tax avoidance. However, Gallo et al. (2004:315) differ on this proposition and

contend that, “In relation to risk, FBs showed a certain amount of resistance. This is apparent in their more restricted use of permanent full-time personnel and in their considerably lower level of debt compared to NFBs.” Freedman et al. (2008:88) remind us that, “Responsible behaviour comprises transparency, openness, and ‘not doing planning that HMRC don’t like.’”

3.5.5 Taxpayer-Tax Adviser Relationships and Tax Risk Management

Tax advisers, also called tax professionals, tax agents, tax intermediaries, tax preparers and paid preparers (Thuronyi and Vanistendael, 1996; Hughes and Mckercher, 2013) fulfil an essential social function. The authority to practice is endowed by the state, although tax practice in the UK does not have a licencing requirement. In Willmott’s (1986:563) words, “The state franchises elements of its power,” and this provides the opportunity to practice and bring taxpayers and the tax authority closer to each other (Trevino,2001; Mungham and Thomas, 1982). In managing tax compliance and potential tax risks, advisers may easily influence taxpayers, as most taxpayers are unfamiliar with tax laws.

In the case of small businesses, the possibility of tax advisers influencing tax risk perception and tax compliance behaviour is even higher, because small business owners cannot deal with complicated and frequently changing tax regulations as well as medium and large taxpayers do (Torgler, 2003; Sakurai and Braithwaite, 2003). In the extant literature, the relationships between taxpayers and tax advisers have been examined from three major perspectives (Sakurai and Braithwaite, 2003). First, how aggressive tax professionals are in resolving tax decisions. Second, how taxpayers’ risk attitudes and preferences affect tax professionals’ tax planning decisions; and third, the general factors affecting the tax compliance decisions of tax professionals. Such studies can be differentiated

according to whether they are based on the taxpayers' or tax professionals' perspective.

Tax professionals are like other professionals, for example medical and legal professionals, in wanting their freedom, independence and code of ethics respected (MacDonald, 1995; Johnson,1972). The research findings suggest that the profession is guided by two opposing factors – commercialism and client-service (Johnson,1972). The former is manifest in their aggressive practices, and the latter in their altruism and social welfare attitudes (Elliott,1972). Viewed from this perspective, the tax profession is no different from other professions: it is governed by both ideals and rational choice. Rationality here implies the exchange of gain between clients and tax professionals (Gracia and Oats, 2012; Parnaby, 2009); ideals are the motto of client service. To achieve these goals, tax professionals may persuade their clients, or may use pressure, or both (Beckert, 2010). According to Sitalaksmi and Zhu (2013) risk perceptions and management practices differ considerably with respect to tax professionals' motivation in relation to earning profit and securing loyalty from the taxpayers. Gracia and Oats (2012, p.10) comment that the tax professional- taxpayer relationship centres on the naturalized logic of give and take: "Advice is 'sold' to clients for financial return and seeks to provide a financial gain (tax saving) to the taxpayer clients."

The fact that tax professionals influence their clients in managing tax compliance is well documented in the literature, although the opposite – taxpayers' influence on tax professionals – is firmly contended and evidenced (Klepper et al., 1991). Torgler (2003:25) comments that the market for professional tax advice is well segmented: "Tax practitioners (taxpayers) are quite successful in finding their

suitable client (practitioner). There is a certain market segmentation.” Taxpayers who plan to reduce taxes and who are risk-takers find tax advisers who are good at finding loopholes (Sakurai and Braithwaite, 2001). Similarly, risk-averse taxpayers find tax advisers who can fulfil their demand. In addition, results from Sakurai and Braithwaite (2001) suggest that taxpayers usually trust their tax advisers. Likewise, Hite and McGill (1992) observe that taxpayers can express their preferences for conservative advice.

On the other hand, Schmidt (2001) argues that under specific conditions taxpayers tend to agree with aggressive advice. In a balance-due prepayment position, taxpayers are more likely to accept aggressive advice than they would in a refund position. This finding is supported by the prospect theory, which envisages that individuals will demonstrate a higher risk disposition in loss (prepayment) situations and act risk averse in gain (refund) situations. In the same vein, Schisler (1994) finds that in a loss situation, tax professionals are more aggressive, while in a gain situation they are more conservative. Schisler contends that if clients have large tax liabilities, they prefer adopting aggressive tax plans and wish their professional to support them. Opposing clients' wishes could result in a loss of business, which represents a risk to tax professionals.

As concerns the role of tax advisers in evasive tax practices, there are mixed views (Sikka and Hampton, 2005; Gerstein and Friedman, 2013). Often, advisers are subjected to serious criticism and scrutiny for their role in designing exploitative tax risk management schemes (Sakurai and Braithwaite, 2003; Hughes and McKercher, 2013). Gerstein and Friedman (2013), in their study, referring to the survey done by the Gallup Organization, comment that “greed” is the main cause for dishonesty in tax practice. They also note some accounting

scandals, e.g., Enron, WorldCom, Time Warner etc., in support of their argument. One explanation for this could be the highly competitive nature of the profession (Thuronyi and Vanistendael, 1996; Hughes and Mckercher, 2013), which often leads to the erosion of ethical standards. In the face of intense competition, tax advisors may misrepresent their skills and talent. Further, the high level of stress in accounting practices very often leads to suboptimal professional decisions.

It is however inaccurate to claim that all tax advisers are engaged in aggressive tax practices. There are low risk, no fuss practitioners, just as there can be aggressive tax advisers (Sakurai Braithwaite, 2003). Christain et al. (1994) find that tax professionals do not influence their clients to be aggressive and are not impelled by monetary reward only. Above all, the complexities and difficulties of the tax laws and the constant flows of new legislation may cause risks of misinterpretation by tax advisors. Furthermore, tax professional services cannot provide a complete coverage of tax risk. Tax risk may still be there because of tax professionals' knowledge gaps or oversight of an important tax fact.

Based on findings from a longitudinal survey conducted across immigrant communities in New Zealand, Dunstan et al. (2004) note that knowing about the local tax system is a major area where immigrant businesses need help, after education and job support. Benson-Rea and Rawlinson (2003) support this observation by presenting evidence that 85% of immigrants need support on language and legal issues such as taxation laws for successful business settlement.

In support of immigrant communities, Desiderio (2014:7) argues that immigrant businesses should have access to mainstream business support, particularly with respect to taxation and in areas of general administration and be allowed

“counselling for complying with tax regulations.” Aldrich and Waldinger (1990) comment that distance from government mechanisms of service delivery causes problems with settlements and assimilation of information for the immigrant communities. Thus, one way to improve tax compliance and management of tax risk, and the taxpayer-tax adviser relationship overall, is to educate taxpayers about tax and accounting laws.

3.6 Chapter Summary

This section has dealt with the concept of tax complexity, offering a discussion of the major methodological approaches to this; it has shown how such complexity may influence tax compliance behaviours; and it has given a brief account of the complexity of the UK tax system and the challenges small businesses face in meeting their tax obligations. The section has also outlined the difficulties a complex tax system generates for small immigrant family businesses and given examples of how these can be addressed. The chapter has discussed the ways immigrant family businesses manage the uncertainties that arise with respect to tax compliance and demonstrated that the difficulty of managing tax risk is greater for immigrant taxpayers because of cultural, linguistic and legal system differences. It has also presented a review of general risk theories to explain the risk-taking attitude of taxpayers under different circumstances.

The review of the literature has shown that having an uncertain tax position not only threatens the very survival of immigrant businesses in the host country but may push them into the informal sector. A complicated tax system is one of the strongest factors, along with stringent documentation requirements, contributing to the generation of tax risk. The great majority of research findings claim that immigrants in general are risk takers, although there are exceptions. Added to

the ethnic identity of immigrants in affecting their risk-tolerance and tax-risk exposure is their socio-economic status.

In managing tax risk, a common source of help is the tax adviser, who significantly influences the risk attitude of immigrants. Lack of tax and accounting education, and of access to institutional support, increases the difficulty of tax management further, but this can be resolved by providing support on language and legal matters to immigrant taxpayers. The next chapter introduces the theoretical framework of the study and explains how it fits into explaining the tax compliance attitudes of small immigrant family businesses.

CHAPTER IV

THEORETICAL FRAMEWORK OF THE STUDY

4.1 Introduction

This chapter describes the creation of a theoretical framework for the study. A theoretical framework is a guide that informs the research process, models and data for the study. The theoretical framework that inspired the current research is the theory of practice of Pierre Bourdieu, one of the leading French social scientists and philosophers. This chapter begins with a discussion about the rationale of applying the Bourdieusian thoughts and the contending theories that could be applied. It then presents the theoretical framework and identifies the theoretical constructs to be used in explaining and predicting tax compliance behaviours. The chapter links the main and subsidiary research questions with Bourdieusian concepts and explains them in detail.

4.2 Rationale for Using Bourdieusian Thought

This study adopted a Bourdieusian lens because it had been used to study the structures and practices (Portes et al., 2010) of a small community in Algeria called the Kabyle community, which seemed similar to examining the Bangladeshi community's tax practice in the UK – the main objective of the study. We considered that, for achieving a deeper understanding of the tax compliance actions of immigrant societies, Bourdieu's theory would be very useful and relevant.

Using Bourdieu's theory of practice as a framework would allow us to gain a profound idea about the cultural, institutional, social and economic aspects in which the immigrants operated and the way they adapted to tax compliance

strategies. By combining the macro, i.e., the wider tax environment, and the micro, i.e., Bangladeshi family businesses in the UK, levels of analysis (Portes et al., 2010; Mulligan, 2012), we would be able to describe the dynamic of interaction between the immigrant taxpayers and the tax system, and provide insight into their perceptions, conceptions and actions in relation to tax compliance.

Application of Bourdieu's theory of practice is not new in business and tax research. For example, Oats and Morris (2015) look at tax complexity using Bourdieu's symbolic power, while Gracia and Oats (2012) study the regulatory complexities between the acceptable and unacceptable boundaries of tax practice. Among others, Kraal (2013) analyses tax reform, and Picciotto (2007) studies the influence of language and social norms on tax complexity using Bourdieu's theory.

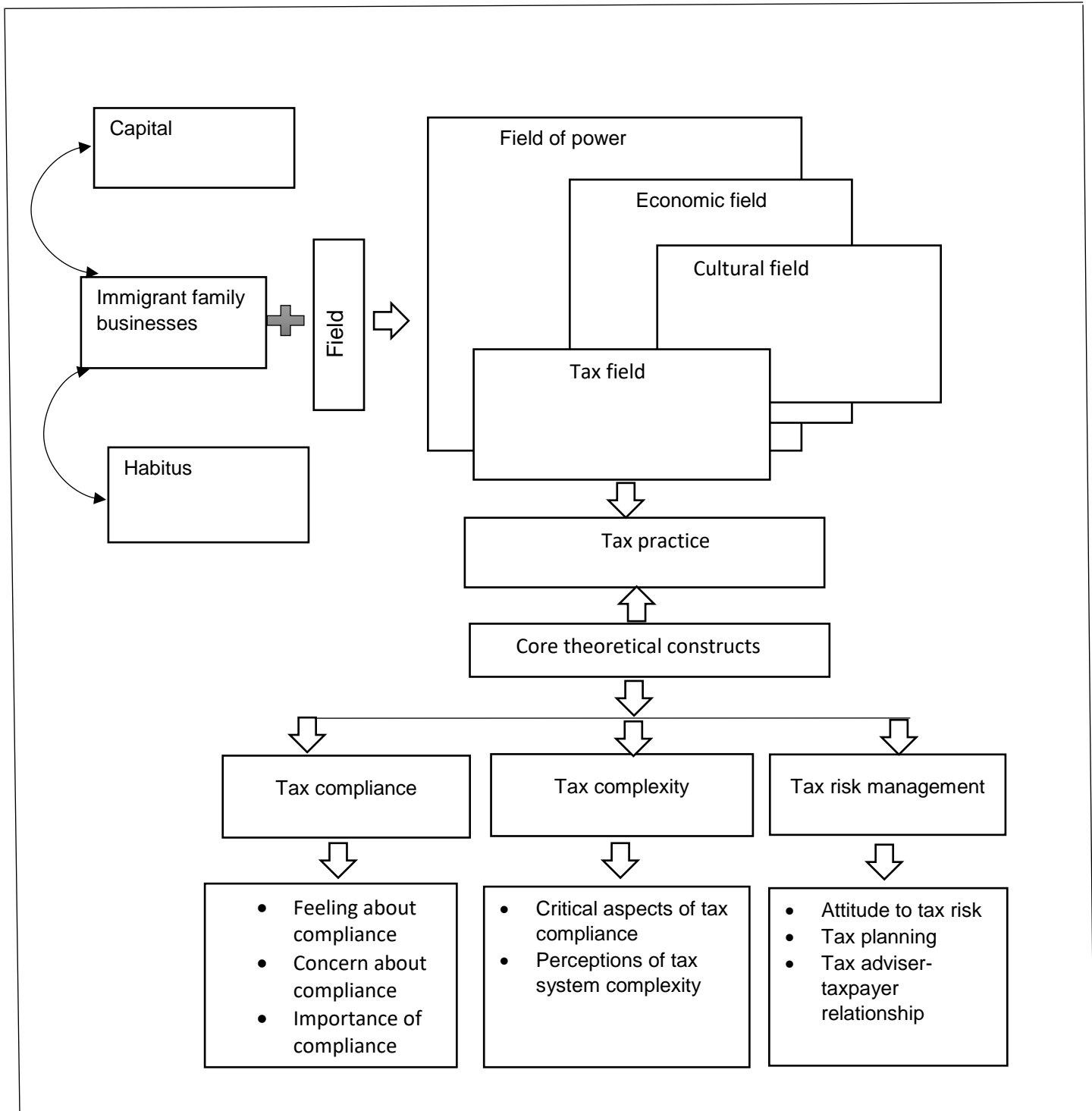
Bourdieu's work is the most up-to-date in offering a grand perspective on society, people's behaviour and thought. His theoretical framework argues that behind the smokescreen of "utility", the basis of economic rationality, social-rules might play a strong role (Christoforou and Laine, 2014). Bourdieu attempts to overcome the dichotomy between individual and structure, and proposes the idea of applied rationalism, the mid-point between rationalism and realism. Bourdieu is unique in claiming that social laws are statistical in nature, which implies that individuals are all alike and different at the same time. To Bourdieu, it is not maximization of economic benefits but "practical sense" or habitus (Smelser and Swedberg, 2005; Reay, 2004) that guides our actions. Bourdieu also attempts to cover the blind spot of mainstream economics by introducing the role of power relations in decision making.

One may argue that Bourdieu's theory of practice, at the basic epistemic level, is closely related to Giddens' structuration theory (Giddens, 1981; Drori et al., 2010), and therefore Giddens could be used as an alternative. Although there are similarities, Bourdieu's view is more dynamic than Giddens' for three reasons (Mahar et al., 1990). First, Bourdieu argues that individuals follow strategies connected with social practices rather than strategies connected to rules. Second, Bourdieu's explanation of resources, in terms of capital (economic, cultural and social) is wider. Even his classification of capital is wider and deeper than those proposed in economics (Light, 2010; Lebaron, 2014). Third, Bourdieu's field, where social agents struggle for position and power, is more dynamic than Giddens' static institutional field

4.3 Theoretical Framework

In developing the theoretical framework, Bourdieu's (1993) framework for the field of cultural production and Drori et al.'s (2010) work on the habitus of transnational entrepreneurship was followed.

Figure 4.1 Tax field: A descriptive framework based on Bourdieu's Theory of Practice



Source: Candidate's own figure

The upper section of the framework in Figure 4.1 shows that the habitus and capital social agents, immigrant family businesses in this case, possess interact with the social space to generate tax practice. In the social space there exists different fields, of which tax field is one. According to Bourdieusian philosophy, the field of power is the most powerful field and all fields are associated with one another in a relational structure. As reported in Figure 4.1, the field of power cross-cuts cultural field, economic field and tax field. We maintain that these are the distinctive fields that constitute the wider institutional context of tax compliance for an immigrant taxpayer, despite there being more possible fields and sub-fields, for example, family business field, legal and judicial field etc.

The lower section of the framework shows the major theoretical constructs that explain and predict tax compliance practice which includes the conceptual elements¹⁸ of tax compliance, tax complexity and tax risk management. Conceptualization of these theoretical constructs can be made from different perspective and standpoints, for example, social, economic or political. This research applies the sociological view of Bourdieu to conceptualize them in the next section.

4.4 Core Theoretical Constructs

4.4.1 Tax Compliance

Tax compliance as a construct refers to the timely reporting of all incomes and payment of taxes due on them. Compliance with tax obligations is one of the most

¹⁸ It is important to note here that theoretical constructs refer to the phenomenon, events or experience that the researcher wants to explore. For example, if a researcher is interested in studying how parents transmit their political perspective into their children, the theoretical perspective to study is “transmission of political perspective” (Toss and Waters, 2007:37). Theoretical construct is a latent concept that cannot be observed or measured directly. Validity and reliability of data are important criteria in measuring a theoretical construct. The major theoretical constructs in this research were studied through empirical data analysis as can be found in the empirical chapters 6 to 8 with their validity and reliability statistics.

important jobs for most taxpayers, particularly the family businesses (Morris et al., 1997) for the impact taxes have on family wealth and inheritance. To many taxpayers, meeting tax obligation is a matter of great worry which lead them depend on tax avoidance or evasion schemes. The tax risk attitude of the family businesses, mostly risk-averse due to their high reputational and image concern (Chen et al.,2010), plays an important role in their being happy or unhappy with the tax compliance attitude. Considering these essential natures of family business taxation, respondents in the survey were asked questions about their feeling, concern and the importance they give to tax compliance actions (see section 8.2 and survey research question 18, 23 and 24).

4.4.2 Tax Complexity

Tax complexity literature reviews the aspects of the tax system, specially tax legislation. These constructs make important contributions to the formation of the analytical framework. The main constructs of tax system complexity to be considered include:

(a) Critical aspects of Tax complexity such as

- *Amendments to, and changes in tax laws* are created in a way that increases the volume of tax legislation rather than lessening it, and the resultant increase in complexity in the interpretation of the laws (Karlinsky and Burton, 2011; Speer et al., 2014; Hall, 1994; Morris and Lonsdale, 2004; PwC, 2004).
- *Difficulties in legislative interpretation* as a core factor of tax system complexity. When faced with complexity about tax law, taxpayers either make over or under-payment of taxes, both of which may generate

uncertainty (Mulligan and Oats, 2009; Pabon and Klima, 2017; Frederick and Henry, 2004; Brink and Porcano, 2017).

- *Tax rate, calculations and taxable income* have been a persistent source of tax complexity for small businesses and self-employed taxpayers, especially those who have no previous acquaintance with tax accounting or basic education (Shailer, 1993; Mitchell, 2012; Yuengert, 1995; Gracia and Andújar, 2007; Corbetta and Montemerlo, 1999; Speer et al., 2014).

(b) Perceptions of tax system complexity

Taxpayers may have different range of perceptions about tax system complexity. Some may think it is difficult to understand the legal codes, some other may perceive the tax laws ambiguous. How they perceive tax complexity to some extent depends on their educational levels and economic situations. Measuring tax system complexity thus requires measuring the socio-economic condition of the taxpayers. In this study, to assess their perception about tax system complexity three questions were asked in the survey to measure their general perception of the UK tax system. These three questions included aspects of tax system difficulties, uncertainties and complicatedness (see section 6.4.1 for elaborate discussion on the questions).

4.4.3 Tax Risk Management

A core theoretical construct in the literature is tax risk management that provide insights about the tax risk features and their management. In one way or another, the issues identified for tax risk have strong links to those identified with tax compliance. This suggests that tax compliance and tax risk issues in some cases originate from common compliance problems. The issues discussed in the literature include:

- *Tax planning* is any action undertaken by a company or individual to lower the overall tax burden. The problem of defining tax planning is drawing the borderline between actions taken within the boundaries of the law (acceptable) and tax avoidance (not acceptable) (Russo,2010). Tax planning in that sense connects us to the general issues of tax risk management. Usually small businesses and individual taxpayers have some sorts of written or unwritten tax planning that control risk attitudes and tax compliance functions (Shailer, 1993; Yong, 2011; Xiao et al., 2001; Badertscher et al., 2013; Stanworth and Gray, 1991; OECD, 2009).
- *The risk attitude* of taxpayers influences how much risk they are willing to take. Not all taxpayers are equally willing to accept risk: some are aggressive, and others are conservative in taking tax risk. Cultural and ethnic identities, age, income levels, and so on have a strong bearing on risk attitudes and risk tolerance (Delgado, 2011; Constant and Zimmermann, 2013; Dhaliwal, 2008; Luttmer and Singhal, 2014; Kountouris and Remoundou, 2013).
- *Taxpayer-tax adviser relationships* may evolve towards cooperation or exploitation. There is evidence that professional tax advisers are motivated more by commercial interests than altruism, each of which affects tax risk issues differently (MacDonald, 1995; Johnson, 1972; Beckert, 2010; Klepper et al., 1991 Gerstein and Friedman, 2013; Christain et al., 1994).

4.5 Connections Between Bourdieusian Concepts with the Research Question

The theoretical framework used in a study influences on the choice of the research question and its implications or actions. In other words, the research questions raised should adequately describe the features of the theory. This section attempts to describe the link between the Bourdieusian concepts and the theoretical constructs on tax compliance, tax complexity and tax risk management.

Table 4.1 The link between the Bourdieusian concepts and the theoretical constructs

Main Research Question	Subsidiary Question	Bourdieu's concept
Is Bangladeshi small family businesses' engagement to the UK tax system problematic?	What aspects of tax compliance are most problematic for small Bangladeshi family businesses in the UK?	Bourdieu argues that a social agent's perception and engagement to a social system largely depends their access to economic, cultural and social capital.
	How do small Bangladeshi family businesses perceive the UK tax system and its complexity?	
How is tax risk managed in the Bangladeshi small business community?	How do small Bangladeshi family businesses manage tax risk?	Bourdieu suggests that people who move from one social structure to another experience conflict between field and habitus. Growing anxiety and insecurity in such an environment may cause risk-taking tendencies to become high.
	To what extent do small Bangladeshi family businesses rely on tax advisers?	According to Bourdieu, the structural and functional homology between two classes of people tend to influence on how they select products or services. The similarities in social-class position of the Bangladeshi immigrant

		businesses and their tax advisers may determine the extent of dependence by the former on the latter.
	What is the nature of the relationship between the small Bangladeshi family businesses and their tax advisers?	In Bourdieusian thought, power relation is a major factor in making social relationship. Power is not always crude and coercive, it can be benign and can be replaced with persuasion, influence, cooperation.
What is the tax habitus of small Bangladeshi family businesses in the UK?	-	Using Bourdieu's concept of habitus as an analytical tool to examine how immigrant businesses reproduce tax compliance in their everyday lives.

As the Table 4.1 shows, the first subsidiary research question focuses on the major tax compliance problems taxpayers encounter, irrespective of their types and sizes, as identified in the literature. I fit the Bourdieusian lens to understand the nature of these problems from the viewpoint of taxpayers' socio-economic and cultural status in the society, the essential concepts in Bourdieu's philosophy. The second subsidiary question looks at the immigrant business owners' perceptual understanding of tax system complexity from the same set of concepts as described by Bourdieu. These two subsidiary questions are related to the main research question one.

The second main research question has three subsidiary questions, three to five. Subsidiary research question three links the tax risk management approaches applied by the small businesses in a conflicting field-habitus environment. Subsidiary research question four examines the extent on dependence from the viewpoint of structural and functional homology between the taxpayers and the tax advisers, while subsidiary research question five explores the power

dynamics in their relationship. Lastly, the main research question six uses Bourdieu's master concept of habitus to the investigation of tax compliance behaviours in the immigrant business community.

4.6 Bourdieu's Theory of Practice

Bourdieu's theory consists of three main elements –habitus, capital and field – and these should be approached together rather than in isolation if we are to make sense of his philosophy (Herman, 2004; Grenfell, 2007; Walther, 2014). Put in its shortest form, Bourdieu's theory can be expressed as follows: [(habitus) (capital)] + field = practice. This shows that the interplay between habitus, capital and social field results in practice (i.e., actions or strategies) (Grenfell, 2008; Patel and Conklin, 2010; Walther, 2014; Sweetman, 2009). While habitus refers to an individual agent's ways of thinking, speaking and acting, the social field refers to the rules or structured systems followed to carry out those actions, which can be limited or hindered due to insufficiency of capital (Patel and Conklin, 2010). We shall now discuss the top three concepts or pieces of Bourdieu's theory in the appropriate context of the study and see how immigrant communities might internalize tax complexity and compliance.

4.6.1 Habitus – the Psychosomatic Mind

Habitus is a Latin word meaning habit, habitual, repetition, and the typical dispositions of the body (Jenkins, 1992; Light, 2010). Aristotle (under the term *hexis*), Hagel, Durkheim and Weber used this word to indicate “an acquired system of generative schemes objectively adjusted to the particular conditions”, (Jenkins, 1992:95). Habitus is one of Bourdieu's most important theoretical contributions, although “perhaps the most vaguely defined” (Ignatow, 2009:101). Bourdieu retains the original meaning of the word and adds three more

dimensions to it. First, it is something inside the head of the individual. Second, it is visible in the actions of actors; and third, it is the sensory experience of actors. In Bourdieu's (1990:45) own words habitus is,

“A product of history that produces individual and collective practices It ensures the active presence of past experiences, which, deposited in each organism in the form of schemes of perception, thought and action, tend to guarantee the ‘correctness’ of practices and their constancy over time, more reliably than all formal rules and explicit norms.”

Habitus is thus defined as the internalized representation of the external social structure that social agents acquire over their life time. It gives them their mental and cognitive structure, and represents a set of assumptions and behaviours, beliefs and attitudes (Patel and Conklin, 2010; Reay, 2004). As Sweetman (2009:493) comments, habitus refers to “our predisposed ways of thinking, acting and moving in and through the social environment that encompasses posture, demeanour, outlook, expectations and tastes.”

Bourdieu believes that an individual's actions cannot be understood in terms of his decision-making or of the supra-individual, “structures” (Jenkins, 1992) in isolation. He proposes that individuals produce thoughts and actions through their habitus, which in turn create their external social structure. Thus, habitus works as bridge between subjectivity and objectivity (Jenkins, 1992), or between agency vs structures (Sweetman, 2009). Structures in this case imply the rules and resources that determine and control individuals' behaviours in a predictive way; whereas agency indicates freedom in making choices (Sweetman, 2009; Grenfell, 2008; Franceschelli, 2013; Reay, 2004).

Bourdieu attempts to overcome these dualities by introducing the concept of reflexivity (Franceschelli and O'Brien, 2014), according to which he argues that the external structure is reproduced by individual actions, and in return it informs individual actions: "reflexivity in social practice between the structural conditions of possibility (possibility and constraints) and actors' use of these possibilities" (Jones 2009:39, quoted in Franceschelli, 2013). Thus, a habitus is a "structured and structuring structure" – "structured", by the person's past and present circumstances; "structuring", through his or her present and future practices; and a "structure", because of its systematic patterns (Grenfell, 2008).

This leads us to argue that a taxpayer's response to tax matters is initially influenced by his past and present actions. But it may take on a different shape, due to his present and future actions, eventually creating a pattern of tax compliance which he cannot break or come out of. Light (2010) comments that Bourdieu's habitus explains how socially shared perceptions form and impose an individual's mental condition, which the individual cannot break, so that he eventually gets trapped in the status quo – the children of the working class become workers and the elites become elite.

An individual's tax compliance decisions draw on a series of dispositions that are connected to his habitus (Driori et al., 2010). In our case, first-generation Bangladeshi immigrants, in the unfamiliar tax field of the UK, will attempt to comprehend tax obligations based on knowledge and experiences acquired in Bangladesh, since habitus is nationally and culturally bounded (Thatcher and Halvorsrud, 2016). Carney (2007) suggests that immigrants always depend on home-country experience for legal and trust issues. Older immigrants will take tax decisions combining their experiences in the home and host societies, as

habitus is a process involving an actor's reproduction of a social position. Constant and Zimmermann (2013) reflect that immigrants do not have one single identity: they oscillate between the realities of the old and new world. How the migrating habitus positions itself in the host society is a significant factor in adaptation or resistance to the new tax field (Thatcher and Halvorsrud, 2016).

Habitus as a notion has features like those of tax system complexity. The tax system has features of uncertainty and indeterminacy (Krause; 2000; Slemrod, 2009; Milliron, 1985), and the same is the case with habitus: having no "fine regularity ... the habitus goes hand in glove with vagueness and indeterminacy", as Bourdieu notes (1990:77). He adds (ibid:78) that due to the uncertain features of habitus, "one cannot depend on it entirely, in critical and dangerous situations". Moreover, habitus is activated in the field, "and the same habitus can lead to very different practices and stances depending on the state of the field" (Bourdieu 1990:116). The tax compliance practice of a taxpayer is thus highly dependent on the institutional contexts or fields a person faces and his or her ability to deal with these. The following comment from an Indian immigrant entrepreneur shows how institutional context influences tax habitus: "In Switzerland ... the rules are very clear and transparent. The British tax code is 2,000 pages; the Swiss tax code is 300 pages ... In Switzerland, everyone follows the rule and pays the tax, no one evades it. You can negotiate with them. You can say, 'I am being taxed too much, I would only like to pay this much tax,'" (Terjesen and Elam, 2009:1110).

Bourdieu's idea of habitus is not confined to individual humans, but also extends to collective entities like family, organizations (Swedberg, 2011). Lahire (2003:321) notes that, "Habitus could be a characteristic of groups as well as of

individuals.” Bourdieu (1998) also asserts that family transcends reality to its members, existing as a separate social universe, and each family habitus is governed by a specific set of rules. Family as habitus creates an individual habitus and is being created by an individual habitus. This duality of family habitus, including the dispositions of the family and family as a social field (Atkinson, 2016; Franceschelli, 2014), is maintained and reinforced through the intergenerational transmission of resources and family feeling (Bourdieu, 1998).

Therefore, each family has its own practice (Atkinson, 2016; Walther, 2014) regarding the economic and non-economic aspects of its life. For example, a common family business habitus might be to conduct inter-generational transfer of the business in such a way that the tax burden, particularly capital taxes, is minimal (Westhead et al., 2002). Family business are likely to follow regulations and procedures that match their family interests rather than those of the government, as is apparent in their aggressive tax practices (Annuar et al., 2014; Schulze et al., 2001; Daily and Dollinger 1992; Haynes et al., 1999), although not all family businesses are tax aggressive (Chen et al., 2010; Steijvers and Niskanen, 2011).

Bourdieu’s concept of habitus however is criticised for being overly deterministic and ambiguous (Scott, 2012; Reay, 2004). Reay (2004:432) asserts, “Habitus has been subject to widespread criticism, mainly on the basis of its latent determinism.” Sayer (2005) comments that Bourdieu places more emphasis on the individual’s unconscious impulses than on everyday life reflexivity. In his concept of habitus, social flexibility and change is almost ruled out and “resistance appears to be an anomalous form of behaviour”, as Sayer (2005:23) continues. Bourdieu’s concept of habitus is also criticized for denying the role of

ethical matters in human dispositions, except in some occasional cases (Crossley, 2001; Sayer, 2005; Sayer, 2010).

4.6.2 Capital – Deciding an Actor's Power and Position

The term capital is used broadly in Bourdieu's theory. Bourdieu (1986:1) contends that capital not only refers to the mercantile exchange of material assets, but also to the intrinsic value of the asset. This is because, "Mercantile exchange is not of intrinsic value, but is always only a means to an end (profit, interest, wage, etc.)", as Grenfell (2008:100) clarifies. In Bourdieu's theory, there are four forms of capital: economic, social, cultural and symbolic. Economic capital refers to money and property suitable for mercantile exchange, and it acts as the principal medium through which to determine the value of non-monetary capital (Gergs, 2003; Spigel, 2013).

Cultural capital presents itself in an immaterial form, and may take several forms (Bourdieu, 1986): the embodied form, i.e., capital embedded in a person's mind and body, for example, a muscular body; the objectified form, for example, books, movies and painting; by objectification, Bourdieu means the discovery of a theory expressed in the form instruments, pictures, machines and so on; and finally, the institutionalised form, for example, educational qualifications. Cultural capital in embodied and institutionalised forms has a limited life, while objectified goods live longer through their contribution to the related body of knowledge.

Cultural capital creates a favourable context in which immigrants can become socio-economically active. Light (2005) argues that the Cubans and Haitians both arrived in the US in 1960s as wretchedly poor immigrants; but after a generation, the Cubans were much ahead of the Haitians in business because of their experience of running a business. Rothengatter (2005) reminds us that paying

taxes is a culture-specific behaviour and much of it is dictated by shared meanings derived from tax culture. In New Zealand, North and Trlin (2004) find that a cultural network not only helps finding tax advice, it also provides economic capital for ethnic businesses.

By social capital, Bourdieu (1986) refers to the resources that arise out of social networks among social agents, or from “contacts with influential people” (Swain, 2003). Bourdieu (1986:10) elaborates that, “Social capital is the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition.” By its very nature, social capital is held in common ownership; and how much value it will generate depends on how much economic, cultural and symbolic capital the group members possess (Swain, 2003). Social connections regulate where to seek formal or informal tax advice (de Vries, 2007) and how to locate a tax adviser (Andrejuk,2016; Delgado, 2011). For immigrant communities, social capital also brings economic and financial prospects (Mitchell, 2012).

Finally, symbolic capital comes from knowledge and recognition in the field: for example, goodwill and prestige earned by pre-eminence and seniority in a field. Bourdieu defines it as a disguised or intangible part of cultural and social capital that cannot be transmuted into economic capital. Bourdieu (1986) believes that the value of capital is different in different fields, and a form of capital important in one field may be unimportant or useless in another. Furthermore, the meaning and purpose of capital may vary with respect to the cultural identity of the actors this capital is ascribed to. Franceschelli and O’Brien (2014) find that South Asian Muslims in Britain use convertible resources from Islam, termed Islamic capital,

for children's upbringing, and this guides the everyday life practices of that community rather than being merely religious practice.

Bourdieu also argues that the inherent structure of the social world, the constraints we face, and the chances of overcoming these depend on how the different capitals are distributed among the actors in the field (Spigel, 2013). In Bourdieu's (1986:1) own words, "The structure of the distribution of the different types and subtypes of capital at a given moment in time represents the immanent structure of the social world, i.e., the set of constraints ...determining the chances of success for practices." Thus, with these four forms of capital, social agents work in their own fields to acquire and maintain power and position there.

4.6.3 Field – The Social Space for Rules and Traditions

Field, in Bourdieu's theory, implies the network of social relations and the structured system of social positions within which individual agents struggle for resources, stakes and access (Bourdieu and Wacquant, 1992). Bourdieu's fields maintain a relational rather than an absolute structure, as in mathematics or psychology (Hilgers and Mangez, 2015). In our stage 1 framework, as a result, the five distinctive fields have been drawn into a relational structure, each having its own rules - rules of the game – elites and inferiors, dominator and dominated, and so on. Field actors implicitly agree to follow the rules, termed *doxa*, that are embedded in our everyday life in such a way that they are invisible, unremarkable and unquestioned (Spiegel, 2013; Jenkins, 1992; Hilgers and Mangez, 2015; Benson and Neveu, 2005). But what role does habitus play in the field? Briefly, it forms the links between an individual's social domain and their structural space (Patel and Conklin, 2010; Lebaron, 2014). In other words, habitus deals with an

actor's goals and inner constraints, while social fields determine the external conditions to achieve those goals (Bourdieu and Wacquant, 1992).

As in our framework, to understand the tax compliance activities of the immigrants, it is essential to understand their cultural values and context. The cultural fields of immigrants are different from those of others (Danes et al., 2008), and they use a distinct cultural tool-kit, values or tradition to start and maintain an action. Ways of communicating and creating relationships, and the practices chosen, vary considerably among both immigrants and non-immigrants (McGoldrick and Troast, 1999). Cultural traits make some ethnic groups more entrepreneurial and risk-taking than others (Altinay and Madanoglu, 2014). Often, cultural homogeneity (Roth et al., 1989) influences how an ethnic group behaves with their tax functions. How cultural differences – or heterogeneity – are treated by the native or dominant culture is a crucial factor in developing immigrants' tax habitus (Li, 2010).

Discrimination and deprivation may push an ethnic community away from the system (Patel and Konklin, 2010). The poll tax levied on Chinese immigrants in New Zealand (de Vries, 2007) and the tax on Mexican immigrant employees in the US (Streich, 2005) are examples of how the native society may act in an oppressive manner towards immigrants. This type of oppression is, however, visible. Beside this, there is the invisible oppression exerted by the privileged classes over the subordinate classes. This happens quite naturally in a hierarchical social structure, and it is called "symbolic violence" by Bourdieu (1984). This is not overt or physical violence, but an unseen, hidden form of violence that takes the form of misrecognition of the distribution and exercise of power in society (Grenfell, 2008).

The legal and regulatory field is closely connected with tax compliance activities, which are also substantially different for immigrant businesses. A natural consequence of this difference for immigrants is the need for legal and advisory support in an appropriate language (North and Trlin, 2004). The legal and regulatory systems of any country are developed in relation to the national culture of that country, which makes the tax system non-inclusive of minority groups (Tsakumis et al., 2007). Immigrant communities may attempt to address this gap by lobbying through their social networks or political connections (Drori et al., 2010). The legal and regulatory frameworks also influence the ownership and formation of new businesses by immigrant communities. One Nigerian restaurateur in the UK, in Ojo et al.'s (2013) study, reports that "our restaurant is barely surviving ... cutting corners i.e., employing low-waged illegal staff, changing the ownership structure every now and then to evade business rates and taxes, etc."

Business organisations are an integral part of the economic field, whether they are owned by family or non-family members. Bourdieu (2005:6) comments that it is "the family [that] provides the logic of exchange" and constitutes the centre of the domestic economy. He also (2005:203) asserts that economic reality must extend to family members by stressing that, "To refuse to calculate in exchanges between members of the household is to refuse to obey the principle of economy." He further explains that business has its own norms and logic – business is business – "the economic *illusio* or the fundamental belief ... the basis of the economic field" (Lebaron, 2014:42) and economic interest should be the guiding factor. Following Bourdieu's theorization, it could be argued that family businesses are active agents in the economic field, oriented towards income and

profit (Lebaron, 2014). For an immigrant business, since the owner, employees and customers belong to the same community, the economic field may further be narrowed down to the ethnic or ethnic enclave economy (Levitt, 1995; Panayiotopoulos, 2006; Light and Bhachu, 2004).

Immigrants form family and social networks in response to the unequal economic conditions they face in the host society (Halkias and Adendorff, 2014). The networks work as a field, integrating new and old immigrants from the same or different communities. The social capital available to the community out of this solidarity allows them to exploit opportunities, resolve problems and often manage credits (Light and Bhachu, 2004). The Bangladeshi catering industry in the UK, for instance, depends on community social networks for sourcing both skilled chefs and labourers. And the dependence on community connections for tax accounting and advisers is a phenomenon common to almost all immigrant communities (Andrejuk, 2014; Yong, 2011; Inland Revenue, New Zealand, 2014; Yuan et al., 2013). Within the social networks, there may emerge professional associations based on certain skills, languages or shared cultures: for example, the Bangladeshi accountants in Whitechapel, London, or the British curry industry, owned and organized by Sylheti Bangladeshis in the UK (Thaker and Barton, 2012). Barley and Kunda (2004:271) refer to the way this phenomenon arose: a “network of practice ... focused attention on the idea that ... practice is an important nexus of organizing” and provided critical resources, including jobs, knowledge and services.

The tax field is related to all the fields above in some way or the other, and several actors interact in the field with conflicting purposes and interests. Taxpayers are one of the leading actors in this field. In Bourdieu’s view, the tax field is complex

because of the struggle and competing claims taxpayers face in making tax payments. Bourdieu et al. (1994:6) comment that, “Even today *tax fraud* bears testimony to the fact that the legitimacy of taxation is not taken wholly for granted.” Making intentional or unintentional mistakes thus becomes an essential part of the tax habitus. Tax administrators are the other key actor, working as a state agent (Menendez, 2001) to enforce the tax law. It is the state’s prerogative to make tax policies, having been empowered by the parliament; and tax administrators have only to administer and implement them (Cordes et al., 2005; Gill, 2000).

Professional tax advisers, the defendants or agents of taxpayers, occupy a prominent position in the tax field. Their activities, conceptions and confrontation with tax law influence the tax field (Terdiman, 1984). For many tax professionals, tax law is a set of rules for playing a game with the tax authorities, and for bending the law when there is any ambiguity (OECD, 2008). Fogarty and Jones (2014), however, comment that tax professionals tend rather to solve the ambiguities in tax law, apparently serving two masters, the taxpayer and the tax administration, albeit imperfectly. The extent to which a tax adviser will play this game depends on the adviser’s cultural, ethical and social disposition (Doyle et al., 2012).

The judiciary is another player in the tax field, and it has considerable influence on the functioning of the tax system, especially in countries where common law is the basis of the legal system. The judiciary defines, interprets or repeals a tax decision in a performative language. Such language indicates “a special linguistic capacity (one which is particularly inherent in the law) that makes things true *simply by saying them*” and creates something that will henceforth be taken as

the truth without just describing the facts, as happens in ordinary language (Terdiman, 1984:49).

The executive and the legislature are the other two significant participants in the tax field. Taxpayers with strong political connections are exempt from taxation (McCarten, 2006). Even in developed countries, the influence of politics on tax legislation is widely acknowledged. Herber (1988) finds that political influence plays a vital role in the redistribution of income in favour of the rich in the US. Herber (1988:395) contends that, "The fact that middle-income and low-income Americans 'outnumber' the rich does not seem to offset this influence, likely because of their inability to organize effectively and finance the kind of lobbying effort that would be required to sustain a level of political influence commensurate with that of higher-income person." In addition to these major participants, the tax field is occupied by other public agencies, for example, the auditor general, the public prosecutor and the police (Gill, 2000).

Above these fields, comes the field of power, which, according to Bourdieu, is the supreme field that determines the position of a field in the global social space. To clarify this, Hilgers and Mangez (2015:185) observe that, "The field of power is ... a metafield ... fundamentally structured ... in an opposition between cultural capital (dominated) and economic capital (dominant) ... the structure and dynamics of the specific subfields derives from the field of power." Power relations enable actors to capture legitimacy or status and enhance symbolic capital in a society (Terjesen and Elam, 2009). Tax and legal relations and their extensions are connected to the field of power, which is the fountain of all "hierarchical power relations which structure all other fields" (Jenkins, 1992:66). Since everyone does not have the same power connections, they do not have an

equal ability to influence the field. Immigrants in most countries are not even on the power ladder; and if they have any agenda, they move it within their local political networks (Drori et al., 2010; Terjesen and Amanda, 2009). The closer they are to those in the relationships of power, the higher will be their access to resources; which may result in better realization of tax management. Boden (2012) argues that power not only informs the tax policy and tax authority, but also the taxed subjects.

4.6.4 Practice – Generation and Maintenance of Actions

Practice is a major concept in Bourdieu's theory. In the context of immigrant communities, practice implies activities that invoke, as Drori et al. (2010: 6) comment, the "aggregate set of interactions that shape and reshape both the individual and institutional contexts". Thus, investigating immigrant family businesses' tax compliance behaviours via the theory of practice demands consideration of those constructs that relate both to the individual level of actions, beliefs and cognition, and to the macro-level, i.e., the structural and institutional context. According to Bourdieu (1990) practice is an outcome of habitus which provides principles and logic to social actors so that they can manage their actions. Habitus thus dictates the practices that guide an immigrant family business to adapt to changed circumstances and manage uncertainties (Swartz, 1997; Sweetman, P. 2009; Spigel, 2013).

The process of practice can be better explained by considering the circular nature of habitus, i.e., the circularity that encompasses internal subjective and external objective conditions. In this circularity, the individual acts as a filter, absorbing and internalizing external objective practices and creating individual dispositions to function in a certain way. Later, the internalized dispositions are sent back

into the social world to reproduce and inform objective practice or objective structure (Franceschelli, 2013; Lahire, 2003). Lahire (2003:338 and 352) comments, “Habitus... rhetorically refers to ‘the internalization of what is external’ and ‘the embodiment of objective structures’” which can be explicated as – “The social world is inside us as well as outside us.” In the same fashion, Jenkins (2002:82) observes that habitus itself is subjective but is the source of objective practices generated “by the ‘objective’ patterns of social life”.

In our stage 1 framework, practice is shown as the culmination of interaction between capital and habitus in the field, expressed as a formulaic relationship in the introduction of the chapter. As we see in Part B of Figure 4.1, the field generates some critical “outcomes” which refer to the “process, resources, structures and activities that lead to the development of a unique ... habitus”, as Drori et al. (2010:18) argue. The three outcomes produced in the field are internal and external resources, knowledge base, and legitimacy and control. These are the resources being produced in the field by immigrants’ habitus, and in the long run they come to shape that habitus. We maintain that the tax habitus of immigrants should be seen from a longitudinal perspective as producing and reproducing structures within their habitus (Bourdieu, 1977). The resources available for immigrant taxpayers in the new institutional context will inform their actions and strategies. The greater the support immigrant taxpayers have from embedded internal and external resources, the higher is the possibility that they will be compliant with tax rules. Likewise, the stronger their knowledge base on tax legislation and procedural issues, the more efficient they will be in managing tax complexities and tax risk. Finally, being close to relationships of power and exercising connections with the powerful will enable immigrant taxpayers to

achieve legitimacy in the host society and extend their network resource base further.

4.7 Chapter Summary

This chapter has described how the theoretical framework was established, according to which the research question for the study, the research methods and the data analysis would be conducted. A description of the framework explained the rationale for choosing Bourdieu's theory of practice, and the contribution this was expected to make to understanding the tax compliance practices of the immigrant community. With reference to Bourdieu's three main conceptual tools, habitus, capital and field, the chapter has showed how their interaction leads to actions or strategies. The context of the immigrant taxpayers was considered, to see how the Bourdieusian lens fitted over it, and how this lens reflected the reality of the external tax environment. A discussion of the core constructs from the literature on tax compliance, tax complexity and tax risk management established a conceptual alignment between these. Based on this framework, we shall attempt to construct the internal and external reality of the tax field, to explain how and why an immigrant taxpayer decides to adopt or reject the tax system of the host society.

CHAPTER V

RESEARCH METHODOLOGY

5.1 Introduction

The preceding chapters reviewed the extant literature on immigrant family businesses' tax compliance issues and identified a gap in the body of knowledge. This chapter will describe the formulation of the main research question and sub-questions intended to help fill that gap; and it will indicate the evidence needed to answer these questions. In doing so, it will offer a comparison between the main research paradigms and methods that were available to the researcher for data collection and analysis, and it will provide an outline of the data sources and sampling procedures that were to be implemented. Finally, the chapter will provide a description of the fieldwork to be conducted among the Bangladeshi community in the UK.

5.2 Research Questions

The literature mentioned in the previous chapters could mainly be classified in three streams. The first stream focused directly on the topic of immigrant businesses' tax compliance management, and included the works of Rothengatter (2005); Young (2011); Yuan et al. (2013) and Inland Revenue, New Zealand (2014). The second stream focused mainly on the economic and risk-taking behaviours of ethnic businesses; but as part of this, the tax compliance of immigrant communities was discussed as a secondary, or even a tertiary, issue. This stream included studies by Yuengert (1995); Rath (2000); de Vries (2007); Mitchell (2012), Kountouris and Remoundou (2013); Ojo et al. (2013); and

Kloosterman et al., 1999. The third stream of literature discussed the tax compliance behaviours of family businesses in general, but not in the context of immigrant family businesses. Contributions included the work of Chen et al. (2010); Fama and Jensen (1983); Badertscher et al. (2013); Xiao et al. (2001); Christensen and Murphy (2004); Annuar et al. (2014); Schulze et al. (2001); Daily and Dollinger (1992); Loutzenhiser (2009); and Haynes et al. (1999).

These three streams of literature provided little evidence of how immigrant family businesses engaged with the tax system, perceived the tax system or tax complexity, managed tax risk, maintained relationships with the tax advisers, and achieved tax compliance. Another aspect of the extant literature on tax issues as it related to immigrant communities was that it was confined mainly to New Zealand or Australia. None of the studies focused on immigrant taxpayers' compliance activities in mainland Europe, a common destination for immigrants from around the world. It was this background that triggered the following three main and five subsidiary research questions:

Main Research Question 1

Is Bangladeshi small family businesses' engagement to the UK tax system problematic?

Subsidiary questions to main research question 1

(I) What aspects of tax compliance are most problematic for small Bangladeshi family businesses in the UK?

(II) How do small Bangladeshi family businesses perceive the UK tax system and its complexity?

Main Research Question 2

How is tax risk managed in the Bangladeshi small business community?

Subsidiary questions to main research question 2

(III) How do small Bangladeshi family businesses manage tax risk?

(IV) To what extent do small Bangladeshi family businesses rely on tax advisers?

(V) What is the nature of the relationship between the small Bangladeshi family businesses and their tax advisers?

Main Research Question 3

What is the tax habitus of small Bangladeshi family businesses in the UK?

The main research questions and the subsidiary questions listed above, and discussed below, have already been mentioned in Section 1.4. Once research questions have been framed, the need for research methodology arises. Tashakkori and Teddlie (2009:09) comment, "Research questions dictate what design and procedure are needed for answering them." Research questions significantly define whether data-gathering should be based on observation, interview, documents, or even questionnaires, and guide the questions to be asked. In the next section, we shall discuss how each of the questions would be answered, along with sampling and data analysis techniques.

5.3 Answering the Main and Subsidiary Research questions

The answers to each subsidiary question, taken together, would answer the main the main research question with which they are related. It needs to be mentioned that the subsidiary questions and the questions to be asked in the interviews or in the questionnaire would be different in style and scope (de Vaus, 2001; Blaikie, 2010). Interview questions or the survey questionnaire would provide the basis

for answering the subsidiary questions, while the subsidiary questions would answer the main research question.

5.3.1 First Main Research Question

The purpose of the first main research question was to identify the aspects of the law that created problems for the Bangladeshi small businesses in engaging with the UK tax system. The first subsidiary question under this main question looked at the aspects of tax compliance most problematic for them (discussed in section 6.3). Data needed for each aspect of tax law would be collected from a questionnaire survey and through semi-structured interviews. The second subsidiary research question under this main research question was to explain how immigrant family businesses perceived tax law complexities and how they related these perceptions to action, i.e., tax practice (discussed in section 6.4.1). Data to understand the perception-making process was mainly to be collected through in-depth interviews and would be analysed through interpretivism. Data collected by the questionnaire would be analysed using statistical tools.

5.3.2 Second Main Research Question

The second main research question aimed at understanding the tax risk management practices of the Bangladeshi immigrant businesses. The objective of the first subsidiary question under this main question was to identify the kind of tax risk issues immigrant family businesses faced, how they took decisions about their management, and who was involved in the management process (discussed in section 7.2).

The second subsidiary question under this main question would examine the level of dependence on tax advisers and the underlying reasons for such reliance. Answering this question would involve considering what other sources of tax

advice there might be, whether or not they were used, and how business owners might make contact with them (discussed in section 7.4). The third subsidiary research question would look at the relational dynamics between immigrant family businesses and their tax advisers, which the theoretical framework suggested would be influenced by the cultural, social and socio-economic factors the individuals shared (discussed in section 7.5).

A mix of qualitative and quantitative data would be used to answer these subsidiary questions and would be analysed using statistical tools and content analysis. Descriptive statistics from a questionnaire survey would be used to support the patterns and themes that arose from the qualitative data.

5.3.3 Third Main Research Question

This question would explore how immigrant businesses adapted to tax practice in their everyday life in the host society (discussed in chapter 8). This question would be answered directly with no subsidiary question under it. Applying Bourdieu's concept of habitus, we would examine how socio-economic and cultural identity contributed to their engagement with tax compliance. It would explore the historical trajectory of the Bangladeshi community in the UK and its relationship with UK society. Answering this question would use both survey and interview data. It would use a multiple correspondence analysis to draw the relationship between different forms of capital and tax compliance attitude and would use interviews to interpret the nature of that relationship.

5.4 Ontology, Epistemology and Methods

Whatever way we approach a research study, it is influenced by certain views, assumptions and beliefs, which can be categorised into five main groups: ontology; epistemology; agency vs structure; methodological assumptions; and

axiological assumptions (Oats, 2012). *Ontology* refers to what we can know, i.e., what exists in the real world. It deals with social reality, whether it's single or multiple, external or internal to our consciousness (Oats, 2012). *Epistemology* refers to how knowledge about reality can be gained and whether the knower and the known are the same or different (Seidman, 2006). On this "how" question, the research community is divided into two major groups: positivists and interpretivists. The positivist view of epistemology, the default option of quantitative research (Silverman, 2005), is that reality is single, whereas in interpretivism reality is multiple. Positivist epistemology indicates that the knower and the known are separate, whereas for interpretivists they are inseparable (Denzin and Lincoln, 2000; Teddlie and Tashakkori, 2009).

Positivism adopts a scientific approach to the research process by taking natural science, a physics model, as the only basis for inquiry or knowledge, whether the research is about human or non-human objects. Positivism claims that knowledge is generalizable across time and place and that conclusions drawn should be the same, irrespective of variations in researcher or research setting (Teddlie and Tashakkori, 2009). The replicability of research and acceptance of knowledge only when it is supported by evidence – "empiricism" – are the central features of positivism (Seale, 1999). These two conditions make quantitative work in the social sciences questionable, since such work is unscientific and it is difficult to measure social science phenomena in the way that physical objects are measured in pure science.

Interpretivism as a philosophical view draws on people's need to understand human experience, the culture they live in, and the society they belong to. Vygotsky (1986) asserts that experience is the systematic outcome of social

factors, which works as an external rule for individual thought. “Verstehen”, a German word from which the interpretivist movement began (Hammersley, 2013), refers to in-depth understanding of human facts through exploration of the human environment and context. Interpretivism states that the researcher’s main task is to explore the distinctive socio-historical perspective when investigating how people’s strategies or actions unfold in a situation. In defining interpretivism, Holloway (1997: 93) states that, “The experiences of peoples are essentially context-bound and not free from time, location or the mind of the human actor.” Besides interpretivism, other approaches to understanding social reality include constructionism, critical perspective and structuralism, which are variations or modifications of interpretivism (Hammersley, 2013).

Positivism is often the epistemological view associated with quantitative research methods, whilst interpretivism is associated with qualitative methods. Despite the philosophical foundations of qualitative and quantitative research being different, there is a close relationship between them (McKercher, 2012; Biber, 2010). Oats (2012) observes that it is possible for a positivist researcher to use qualitative data, and at the same time, for an interpretivist researcher to use qualitative data. For example, content analysis is located at the intersection of quantitative and qualitative methods, allowing a quantitative analysis of seemingly qualitative data (Kondracki et al., 2002).

In between the two major assumptions, that of agency vs structure offers a debate as to whether humans are the outcome of their environment or create their environment. The opposing views can be summarised as: individuals are determined by their environments, “determinism”; or they are free of it, “voluntarism” (Miles et al., 2014). There is also a subjectivity-objectivity debate

which encompasses universal law and contextual interpretations that relate to methodological assumptions. And, finally, there are the assumptions of axiology, which relate to the values, ethical practices and bias of the research or researcher (Blaikie, 2010). Positivists argue that a social inquiry is value free, whereas to interpretivist it is value bound (Oats, 2012; Teddlie and Tashakkori, 2009).

5.5 Research Methods: Qualitative, Quantitative and Mixed

Very often, research methodology and methods are confused. Methodology is an umbrella term that combines research design and methods (de Vaus, 2001). Research design deals with the question, “What evidence do I need to answer the research question?” while research method deals with, “How do I collect the evidence?” (de Vaus, 2001). Research methods in social science can be qualitative, quantitative or mixed, underpinned by the methodological philosophies of mainly positivism or interpretivism (Hammersley, 2013). And research designs can be experimental, case study, longitudinal or cross-sectional (Bryman, 2015; de Vaus, 2001). The present study would apply mixed methods as the research method and a cross-sectional approach as the research design. The rationale and relevance of the methodology adopted are presented below in the overall form of methodological paradigms.

5.5.1 Qualitative Methods

Qualitative research, derived from the Latin word *qualitus*, meaning quality, places the emphasis on words (Hammersley, 2013). The underlying argument is that people symbolize experiences through words and understanding human action requires an understanding of the words people use in their language (Seidman, 2006; Vogystsky, 1986). Thus, qualitative methods use relatively unstructured data and prefer verbal description and interpretation. A key aspect

of qualitative research is that it is conducted in a natural setting in the ordinary way of life (Denzin and Lincoln, 2000), which enables an in-depth interpretation of the research context. Biber (2010) argues that qualitative research helps quantitative research by providing theories and contexts for developing survey instruments. Qualitative research is often criticized for the unstandardized nature of its data and the “forms of reporting that are closer in character to those of journalists and non-fiction writers” (Hammersley, 2013: 18). Thus, there is a high chance of subjective bias in qualitative research, due to researchers’ social and personal characteristics and the “storytelling” or imaginative humanities mode of presentation researchers adopt (Silverman, 2005; Hammersley, 2013). Qualitative methods of data collection include interviewing, document analysis, observation and group studies (Seidman, 2006; Mason, 1996). Some common sources of documents are publications, the print media, archives, and websites (Hakim, 2000).

5.5.2 Quantitative Methods

Quantitative methods – the word originates from the Latin *quantitas*, meaning amount – places the emphasis on numerical data (Hammersley, 2013). These methods demand serious validity and reliability of data (Silverman, 2005). In such methods, data are rigorously structured and standardized, and objectivity is maintained through data collection, measurement and analysis. Quantification of data may, however, be problematic because the real-world picture may be lost if the research is conducted under experimental conditions (Mason, 1996; Silverman, 2005). Measurement of social science problems following natural science techniques may result in the compromising of the central concept of the problem. Quantitative methods include closed-ended questionnaires, large survey data and time series data as methods of data collection, and the analyses

are mainly variable-centred. It is widely recognised that statistical analysis of quantitative data in social science has many limitations and is sometimes flawed and devoid of reality (Hakim, 2000; Leander, 2001). Moreover, in research that is based on positivism, the “quantitative method cannot access some of the phenomena”, for example, lived experiences, social interactions, and perspectives on interactions (Sale et al., 2002:2).

5.5.3 Mixed Methods

Against a background of tension, if not mutual exclusivity, between the two research methods described above (Howe, 2004), mixed methods research advocates combining both qualitative and quantitative methods. The underlying philosophy of mixed methods is “pragmatism”, or “what works” (Howe, 2004). Mixed methods research uses both words and numbers (Bezeley, 2003) and integrates thematic and statistical analysis to answer research questions. Such research is not simply using two types of data: it is more than that. Tashakkori and Teddlie (2009) clarify that it involves two types of research question (qualitative and quantitative), two manners of developing research questions (emergent vs pre-set), two types of sampling procedure (probabilistic and purposive), two types of data analysis (statistical and thematic) and two types of inference (objective and subjective). Table 5.1 shows the differences between mixed methods and other methods.

Table 5. 1 Comparison of the strengths and weaknesses of different methods

Features	Qualitative	Mixed Methods	Quantitative
Preferred Methods	Qualitative methods	Quantitative and qualitative methods	Quantitative methods
Preferred data collection tools	Interviews Observations Document reviews Visual data analysis	Can include data collection methods used by both quantitative and qualitative methodologies	Experiments Quasi-experiments Tests Surveys
Partnering Paradigms	Constructivism; Interpretivism	Pragmatism, but can partner with paradigms typical for quantitative and qualitative methodologies	Post-positivism, Positivism
Form of data	Typically narrative	Narrative and numeric	Typically numeric
Purpose of research	Most often exploratory	Confirmatory and exploratory	Most often confirmatory
Sampling	Mostly purposive	Probability, purposive and mixed	Mostly probability
Data analysis	Thematic strategies: categorical and contextualising	Integration of thematic and statistical: data conversion	Statistical analyses: descriptive and inferential
Validity	Trustworthiness; Credibility; Transferability	Quality and transferability of inferences	Internal and external validity

Source: Tashakkori and Teddlie (2010)

Teddlie and Tashakkori (2009) comment that mixed methods research offers a way of balancing the “quantiphobes” – those disliking or fearing quantitative research, and the “qualiphobes” – those disliking or fearing qualitative research. As an approach that offers triangulation of methods (Biber, 2010; Mason, 1996; Solveman, 2005), mixed methods bridge the two opposing research paradigms. A persuasive argument for mixed methods research is that research cannot be purely qualitative or quantitative. There is always a mix, to some extent (Bryman, 2015).

A mixed methods approach is, however, controversial and has strengths and disadvantages like the other two approaches. Firstly, because it is difficult to integrate the competing paradigms of positivism and interpretivism in answering the same research question, or different aspects of the same question (Hakim,2000; Morse and Niehaus, 2009). As a result, the credibility of the inference can be poor. Second, the idea of pragmatism contradicts the idea of axiology, since it does not clarify which values or whose values are maintained in the research. Mixed methods can be perilous if the researcher is not familiar with both qualitative and quantitative methods (Biber,2010). Johnson and Onwuegbuzie (2008) indicate that one of the major strengths of mixed methods research is to overcome the weakness of a single method and increase the generalisability of study findings, while its major weakness is that it integrates findings from quantitative and quantitative data, which may often contradict rather than supplement each other. About the mixing of quantitative and qualitative data, Sale et al. (2002:2) remind us that, “Just because they are often combined does not mean that it is always appropriate to do so.”

Despite these criticisms and dangers, mixed methods research flourishes as an alternative approach because a single paradigm may not apply to all situations. Howe (2004:43) comments that, “Mixed-methods interpretivism has moved forward with the evolution of social science methodology during the past quarter century.”

5.5.4 Mixed Methods in Tax Research

In tax research, mixed methods have gained broad acceptance. To mention a few, Devos (2012) applies mixed methods in investigating the influence of tax return preparers on personal tax compliance; and Mohdali and Pope (2014) use

it to study the influence of religious faith on tax compliance. An increasing number of doctoral researchers in taxation have adopted mixed methods research in recent years (See Palil, 2010; Akhand, 2012; Hamid, 2014; Yucedogru, 2016). Similarly, a respectable number of academic researchers in taxation have been mixed methods oriented, doing both qualitative and quantitative work; or they have supervised doctoral students using a mixed methods approach (for example, John Hasseldine; Lynne Oats; Adrian Sawyer; Andy Lymer; Kevin Holland). A strong reason for the increasing trend towards mixed methods could be the multidisciplinary nature of tax research (Lamb et al., 2005). Oats (2012:15) reminds us that, "Disciplines have their own ways of speaking about research as well as doing research." In the same vein, Howe (2015: 8) argues that, "Differences in stakeholder worldviews are not uncommon in applied and interdisciplinary research, and this is one justification for mixed methods approaches."

Taxation as an academic discipline has usefully integrated researchers and audiences from diverse communities: for example, law, economics, accounting and sociology. A methodological pluralism in this field can link an economist, who mainly has a positivist view, and a legalist or a sociologist, who mainly have an interpretivist or critical view (Howe, 2015). About the scope of mixed methods in tax research, Mckercher (2008:20) contends that, "The possibilities are endless and are not limited to just quantitative and qualitative." Mckercher (2008), for example, suggests that a focus group study or in-depth interviews can be conducted to identify key concerns about taxation, and the results can be used to develop a survey among a larger sample to make statistical generalization (qualitative method informs quantitative method). The researcher may also do the opposite (quantitative informs qualitative).

Similarly, in exploring tax compliance in ethnic communities, Rothengatter (2005) comments that qualitative research helps generate new, as well as refine existing, hypotheses, and quantitative studies help with examining these further. Likewise, Ojo et al. (2013) argue that semi-structured interviews can help explore the complexities and nuances of ethnic businesses which would show up less well in the small sample size of a quantitative survey. In studying the tax compliance behaviour of immigrants in New Zealand, Yuan et al. (2013) conducted a survey using both structured and semi-structured questions. Besides the above reasons, mixed methods are also a good fit for a theoretical framework based on Bourdieu's theory of practice. Bourdieu himself applies statistical analysis and interviews in his work and is critical of work without empirical support (see his *La Distinction*, 1984 and *The Social Structure of the Economy*, 2005). Bourdieu comments that, "Theory without empirical content is empty, but empirical research without theory is blind." (Bourdieu, quoted in Leander, 2001:345). Among contemporary researchers using Bourdieu, Bennet et al. (2009) have used a mixed methods study, while Zimders et al. (2009), Veenstra (2009), Cockerham and Hinote (2009) and Coulangeon and Lemel (2009) have attempted to quantify various aspects of Bourdieu's concepts, including habitus.

However, this research applies qualitatively driven mixed methods, with qualitative method playing the leading role and quantitative method playing an auxiliary role (Morse and Niehause, 2009; Biber, 2010; Howe, 2004). In this kind of work, qualitative or quantitative data may be used sequentially or in parallel. In both cases, qualitative data plays the dominant role and quantitative data is "window dressing". Sometimes equal weight is also given to each component (Howe, 2004).

5.6 Fieldwork and Data Collection

One of the biggest challenges for research is to collect data. There were two major challenges for fieldwork in this research. First, translating the research objectives into a meaningful questionnaire, which, on the one hand, had to be sound and reliable (Dolnicar et al., 2011) and on the other, simple and brief (Ferraro and Wilmoth, 2000). These features were essential because of the sensitive nature of the data, the busy business schedules of small immigrant businesses, and, in some cases, the latter's lack of interest or unwillingness to share information (elaborated in Section 5.13). Following fieldwork among Immigrant taxpayers in New Zealand, Yuan et al. (2013: 69) comment that, "Researchers studying immigrant business ownership and entrepreneurship have generally found that Asians are reluctant to discuss financial matters, let alone tax non-compliance." Second, the fieldwork had an overseas character for the researcher, who is an international student in the UK, and this made the budget, logistics and rapport-building with respondents somewhat difficult.

The data for the study were collected over a period of four months, from November 2015 to February 2016. The researcher started his fieldwork in London, where he had an acquaintance running a small shop. The shopkeeper and his wife also worked as community organizers, and the researcher asked them to introduce him to more people with small businesses like theirs. They proposed several people, sometimes providing mobile numbers or email accounts, and from these the researcher selected an initial sample; but that was not enough to build a large participant pool, so the researcher consulted Bangladeshi community leaders and Bangladeshi business associations in major UK cities both through personal contacts and, sometimes, by random telephoning or emailing. The researcher contacted Bangladeshi ethnic-specific organizations,

for example, the British Bangladeshi Association, the West London Bangladeshi Association, the Bangladesh Caterers' Association UK, and the Bengali Association, Midlands. Mosques, community cultural centres (Atfield et al., 2012) and taxi stands also played a key role in networking and accessing respondents, particularly in Exeter. For the Bangladeshi community, the mosque is not only a religious but also an ethnic centre, and here people introduced by the Imam, the leader of Muslim prayers, showed interest in cooperating and participating.

However, none of the small business owners was interested in connecting with their tax advisers. Based on personal references, a few tax advisers were emailed; but none responded, either because of a busy schedule or because of the risk of talking about tax and accounting issues with an unknown Bangladeshi. Thus, the researcher decided to go door-to-door approaching with Bangladeshi accounting firms in Whitechapel, London. One professional tax adviser in a Whitechapel firm of Bangladeshi accountants responded positively to a direct request for an interview, and then helped finding others. Thus, the respondents were selected by a snowballing technique, one participant connecting with another (Warren, 2002; Seidman, 2006).

This research used both primary and secondary sources for data collection. For primary data, a survey was conducted with two instruments, a structured questionnaire and semi-structured interviews, two different practices on the interviewing continuum (Seidman, 2006). The structured questionnaire was preferred for quantitative analysis, whereas the semi-structured questionnaire or interviews were preferred for qualitative analysis.

5.6.1 Semi-Structured Interviewing

Qualitative interviewing, also called in-depth, semi-structured or loosely structured interviewing (Mason, 1996) is a process where the interviewee acts as teacher and the interviewer as student (Johnson, 2002). These types of interview focus on a theme- or topic-based narrative approach (Morse and Niehaus, 2009) to clarify and extend the meaning¹⁹ of social practices. Seidman (2006:9) argues that the purpose of interviews “is to not get answers to questions, nor to test hypotheses” but “understanding the lived experiences of peoples”, which makes it “hard to code with numbers.” Qualitative researchers also argue that, “Causal analysis is a deterministic view of human action, “which appears to be positivistic in character (Seale, 1999:39). Interviews allow the respondents to explain their beliefs, actions and perceptions in a relaxed and open discussion. The stories people tell in interviews are reflections of their experiences and consciousness. Interviews help overcome the drawback of pre-set answer patterns in a questionnaire survey, which cannot dig down into the inner or deeper meaning of a respondent’s observations. In that sense, interviews and survey questionnaires are mutually supportive of each other (Mason, 1996).

Vygotsky (1986: 256) comments that, “A word is a microcosm of human consciousness.” Each experience humans gather has a beginning, a middle and an end, giving them an order that establishes a causal relationship (Seidman, 2006). This feature of human experience, a beginning, a middle and an end, has a resemblance to Bourdieu’s habitus, which is a “structured and structuring

¹⁹ The phrase “meaning of experience” does not indicate satisfaction with life but the intellectual and emotional relationship between life and actions (Seidman, 2006), while meaning-making means translating experience into language (Vygotsky, 1986).

structure”, indicating one’s past, present and future (Grenfell, 2008), and justifies using interviews as a data collection method. This is because an interview may account for a person’s past and current behaviours by providing an account of the factors that influenced them in the past (Bryman, 2015). Further, the laws of experience and laws of logic or meaning-making are connected to each other (Vygotsky, 1986).

5.6.2 How Were the Interviews Carried out?

To collect in-depth information about the research context and interpret tax compliance behaviour, 27 interviews were conducted with 15 small business owners and 12 tax professionals, all from the Bangladeshi community (see Table 5.2). Tax advisers’ view was considered to check the authenticity of the interpretations made the immigrant businesses on a point of discussion. Comparing the views of the tax advisers with that of the taxpayers was important to elicit the different perspectives to a point of investigation. Having two different perspectives allowed the researcher to challenge the respondents about their opinion or belief about certain tax compliance or complexity issues. If a business advisers’ comment seemed suspicious it could be investigated or checked with the tax advisers and vice-versa. Besides, in studying the nature of relationship between these two parties, which is one of the main research questions of this thesis, it is important to give the tax advisers an opportunity to be heard. At the beginning of the interview, the concept of tax compliance and complexity were discussed and defined with a potential respondent to make sure that they understood what the research was about, and they could converse clearly on the topic.

Seidman (2006) suggests that there is no fixed rule about the number of participants to be interviewed in a qualitative interview. The researcher should stop when information has reached saturation point, i.e., nothing new is being learned. Douglas (1985 quoted in Seidman, 2006) comments that if he were to pick a number, it would be 25, and to Collins et al. (2007) the number is two to five participants for a case study and 20-30 interviews for grounded theory.

Interviewees from the business community were chosen from those who had participated in the questionnaire survey and expressed an interest in further talks. This research principally gathered small immigrant businesses' perspectives on how they engaged with the tax system of the host country, as formulated in the main research question.

In qualitative research, "purpose" or "convenience" is often the basis of sampling respondents, along with maximum variance sampling (Morse and Niehaus, 2009), collecting information from various locations and from different classes of people (Biber, 2010; Mason, 1996). The Bangladeshi community in the UK is broadly divided into two groups: British Bangladeshis from the Sylhet district of Bangladesh; and those from other districts of Bangladesh (Burholt, 2004; Thaker and Barton, 2012). Interviewees from both these communities were used to maintain maximum variance sampling.

Table 5. 2 List of participants in semi-structured interviews

SL No.	Code for Interviewees	Profession	Location	Nature of business/ profession
1	BO01	Business	London	Laundry
2	BO02	Business	Edinburgh	Catering
3	BO03	Business	London	Catering

4	BO04	Business	Edinburgh	Money exchange
5	BO05	Business	Edinburgh	Catering and driving
6	BO06	Business	Exeter	Catering
7	TA01	Tax professional	London	Tax and accounting
8	BO07	Business	Birmingham	Printing
9	TA02	Tax professional	London	Tax and accounting
10	TA03	Tax professional	Birmingham	Tax and accounting
11	TA04	Tax professional	London	Tax and accounting
12	TA05	Tax professional	London	Tax and accounting
13	TA06	Tax professional	London	Tax and accounting
14	BO08	Business	London	Catering
15	TA07	Tax professional	Exeter	Tax and accounting
16	BO09	Business	Birmingham	Printing
17	TA08	Tax professional	London	Tax and accounting
18	TA09	Tax professional	London	Tax and accounting
19	BO10	Business	Birmingham	Catering
20	TA10	Tax professional	Birmingham	In-house accountant
21	BO11	Business	Birmingham	Grocery
22	TA11	Tax professional	London	Tax and accounting
23	BO12	Business	Birmingham	Catering

24	BO13	Business	London	Media and printing
25	TA12	Tax professional	London	Tax and accounting
26	BO14	Business	London	Compensation claims
27	BO15	Business	Exeter	Catering

At the start of each interview, a letter of introduction from the lead academic supervisor (see Appendix A1), and a research participation and consent form (RPCF; see Appendix A2), which had been approved by the university ethical review committee (Appendix A3), were presented to the interviewee to ensure informed participation. The interview schedule can be seen in Appendix A4.1, a framework to provide the right direction and flexibility in developing questions based on the needs of the respondent being interviewed. Appendix Table A4.2 shows the constructs/dimensions developed from the interview questions and the associated literature and Bourdieusian concepts.

Of the 27 interviews, 24 were conducted face-to face and three over the telephone (i.e., those in Edinburgh). Of the interviews, 18 were non-recorded (20 h 50 mins), and nine were audio-recorded (9 h 10 mins). At the time of interview handwritten notes were taken with the permission of the participants which allowed the researcher to listen to them carefully and ask for any clarification. At the end of the interview the written hand notes were transcribed in detail to reduce memory bias and to improve the rigor of the interviews. Taking notes for the telephone interviews were easier since there was no need to make eye-contact with the respondent as it was for face to face interview. As a general rule, I tried to schedule one interviews a day and three in a week to ensure in-depth explorations and rigor of the interviews.

In design and conversational structure, a telephone interview is like a face-to-face interview (Leon et al., 2003), and brings a better outcome if respondents are busy or feel intimidated in a personal encounter (Courage and Baxter, 2005). Interviews were conducted in Bengali, the native language of Bangladeshi people, and the same questions were put to all participants. A 60-minute interview format was followed. However, seven respondents talked for 90 minutes and three for only 50 minutes. After conducting 27 interviews, information seemed to have reached saturation point, nothing new was forthcoming, and thus no more interviews were conducted.

5.6.3 Questionnaire Survey: Sampling and Administration

Interviewing the respondents may be a necessary but not a sufficient condition to collect data on their tax compliance perceptions (Seidman, 2006). This study administered a survey questionnaire before the interviews for two reasons. First, survey questions in their closed-ended format are best to generate data summary and data pattern through descriptive and inferential statistical analysis. Cross-tabulation, chi-square and factor analysis used in this study are statistical techniques that helped in this endeavour. Second, although survey data provides succinct summary of the vast quantitative data, they cannot provide explanation of the underlying data pattern. Interviews with the respondents at a subsequent stage can interpret them and communicate the research findings eloquently.

The findings of the initial survey results helped in identifying the issues of high importance that need further discussion with the respondents. For example, the initial findings of the survey question, “which aspect of UK income tax law causes most problems for your business?” shows record-keeping and income determination are major concern for them, which are common problem for other

taxpayers as well as evident in the literature. The question asked in the interview “why do you think that ----- is a problem and complicates your tax payment decisions” provided important insight in uncovering the nature of the problem in immigrant communities.

Bourdieu’s concepts have been instrumental in shaping the survey and the interviews. Survey questions on academic qualifications (Q.11), musical preference (Q.12), and places of visiting interest (Q.15) shaped measuring cultural capital. Questions on consultation about tax matters (Q.8), and involvement in community activities (Q.9) measured social capital. Likewise, question on business capital (Q. 4) and ownership of residential property (Q. 14) measured economic capital. In other areas, for example, survey questions about the aspects of relationship between taxpayers and tax advisers, Bourdieu’s concepts of pressure (Q.29), trust (Q.30), satisfaction (Q.34) were used.

For the questionnaire survey we used a purposive sampling consisting of 139 businesses drawn randomly from a sub-group of businesses in London, Birmingham and Devon. Hirsch (2016:162) comments that by using purposive sampling we can perform regressions with unbiased estimates of the populations surveyed. The questionnaire survey was conducted with small Bangladeshi-owned businesses only and comprised 37 close-ended questions (see Appendix A5). The survey was administered both online and face-to-face, depending on respondents’ preference. A draft of the questionnaire and the research participation and consent form (RPCF) were approved by the university ethical review team for this survey as well.

Before launching the online survey, the questionnaire was piloted among 12 respondents, to see whether the structure was appropriate and whether the

questions conveyed the meaning properly. Piloting the questionnaire helped in identifying elements of confusion on the one hand, and on the other, it established access to participants. The elements of confusion clarified in the piloting process include rephrasing and restructure survey questions, Q.4, Q.12. Q.14 and Q.17, to better convey the meaning. The questions on symbolic capital were removed since those were not understandable to the participants. Three new questions, Q.30 and Q.36, were added to better measure the nature of taxpayer- tax professional relationship.

The questionnaire was sent online to 73 respondents, of whom 63 responded. In face-to-face, and in some cases, telephone conversation, 66 business owners were approached, of whom 60 participated, altogether making a sample size of 123 and a response rate of 88%. Of 123 samples, 22 were partnership businesses run jointly with non-family members, and 101 were purely family owned small businesses, who thus made up a response rate of 72%. Small sample size is not a problem for a questionnaire survey. Basu and Gowsami (1999) used 118 samples of South Asian entrepreneurship in the UK, while Appold and Kasarada (2004) drew on 101 samples to study ethnic entrepreneurship and community relationships in South Africa.

5.7 Data Analysis and Interpretation

Data analysis simply refers to the systematic investigation, processing and arrangement of information in an intelligible pattern (Aneshensel, 2013). The approach to data analysis differs between qualitative and quantitative research. In qualitative research, as Miles and Huberman (2014:69) note, data analysis involves “coding data segments for category, theme and pattern development”, while in quantitative research, it involves testing a hypothesis by application of

statistical tools (Bryman, 2015). Whatever the approach, the ultimate objective of both is to give meaning to the facts. Data interpretation, on the other hand, is the generation of creative and inventive insights from data which are not bound by the empirical facts (Gibson and Brown, 2009) and linking them to relevant literature and concepts (Bogdan and Biklen, 1998).

5.7.1 Analysis of Semi-Structured Interviews

The focus of qualitative data analysis is “the word,” which is processed through three rigorous steps: coding, patterning and establishing themes (Miles et al., 2014). Codes are the smallest unit of text, selected from data chunks to categorize and bring together similar segments connected to a specific research question, theme or construct. Codes, in that sense, are condensations of data, enabling the researcher to identify the most meaningful material. Coding can be done in several stages or cycles. Codes derived in the initial cycle trigger pattern codes, which bring together similar codes in the subsequent cycle. Pattern codes may generate four related or unrelated arrays of summaries of the data chunk: categories or themes; causes or explanations; relationships among concepts; and theoretical constructs. These pattern codes can be analysed in several ways, the most common being: narrative description; matrix display; and network display. Narrative description can be classified into three categories – what, how and why – to synthesise the actions of participants (Czarniawska, 2004). The matrix display illustrates the pattern codes in an easy-to-catch format of reflection and verification, while the network display describes the transformation process or the relationship dynamics among the actors or constructs (Moore and Niehause, 2009; Teddlie and Tashakkori, 2009; Bryman, 2015).

In the next stage, the pattern codes are described and narrated through analytical memoing to synthesize the data into an advanced analytical meaning. Memos are the researcher's reflections or capturing of thoughts about the codes. Finally, the analytical ideas are asserted or proposed in a coherent set of explanations. In an assertion, the synthesis is made through a declarative statement supported by evidence, whereas in a proposition the statement is made in an "if-then" or "why-because" format (Miles et al., 2014).

5.7.2 Content Analysis

The narratives gathered from the face-to-face interviews excerpts were broken down into codes, to generate nodes or sub-themes. We performed a cluster analysis of the codes created from the interview excerpts. As an analytical tool, cluster analysis²⁰(Romesburg, 2004) follows the following main steps: (1) Making a data matrix, with its columns showing the objects to be clustered and its rows giving descriptions of the objects; (2) Standardizing the data matrix; (3) Computing the values of resemblance coefficients to measure the similarity matrix among the objects; and (4) Clustering pairs of objects based on similar coefficients and reporting them in a tree or dendogram. We used NVivo (a software for analysis of qualitative data) for coding and categorizing data and finding the frequency of words of interest.

There were several reasons for employing content analysis for this study. First, content analysis allows a systematic reading of vast amounts of textual data for the purpose of making replicable and valid inferences (Krippendorff, 2013). Second, content analysis gives meticulous attention to the "nuances and

²⁰ In a cluster analysis, a similarity metric denotes the statistical method used to calculate correlation among clusters (Yousef et al., 2015). The Nvivo 10 cluster coding technique provides Pearson's correlation coefficient, Jaccard's coefficient, and Sorensen's coefficient to calculate the similarity metric.

embedded meanings of every word” in the analytical process (Miles et al., 2014:08). Bryman (2015) comments that displaying data through matrices and then identifying the most common themes and patterns are the best ways to illustrate qualitative data. Third, it can process both words and numbers, which places it at the intersection of quantitative and qualitative methods, thereby allowing a quantitative analysis of seemingly qualitative data (Kondracki et al., 2002; Bryman, 2015, Mckercher, 2013).

Finally, content analysis has been widely used in tax research and business research. Farrar et al. (2013) employ it to study procedural, interpersonal, and informational fairness in Canadian tax jurisprudence. In their study of the impact of land tax on property valuations, Mangioni and McKerchar (2013) analyse respondents’ comments by content analysis. And Kasipillai and Chen (2014) use it to find the tax topics researched by masters and research students in Malaysia.

5.8 Analysis of Structured Questionnaire

The quantitative analysis for this research would include descriptive and inferential statistics. Descriptive statistics would organize, analyse and present survey data through numerical and tabular techniques (Argyrous, 2011; Bryman, 2004). Uni-variate and multivariate techniques would tease out the key features of the data set and its distribution. In consideration of the categorical nature of the variables, cross-tabulation and chi-square tests, factor analysis and correspondence analysis would be used. Each of these statistical techniques is discussed here.

5.8.1 Chi-Square Test

A chi-square test is a non-parametric statistical test used to answer questions about categorical or nominal variables. There are two major applications of chi-

square tests: to test “goodness of fit”; and to test independence (Beri, 2005; Smith et al., 2009). For example, we may want to know: Do the numbers of tax compliant and non-compliant businesses in the Bangladeshi community match those in the general population; or, Is a taxpayer’s selection of a tax adviser related to ethnic identity? In both these cases, we are simply counting frequencies. The chi-square for goodness of fit will examine whether there is any difference between the frequencies of tax compliant and non-compliant Bangladeshi businesses in the UK that we *observe* through our survey data and the frequencies of compliant and non-compliant taxpayers that we would *expect* if the Bangladeshi community corresponded to, or fit, the UK national tax compliance profile. The chi-square test for goodness of fit is conducted to examine whether the observed results in a sample agree with the results suggested by the rules of probability (Beri, 2005; Field, 2010; Weinberg and Abramowitz, 2002).

The chi-square test of independence shows the relationship between two nominal variables. In a two (tax compliant vs non-compliant) by two (educated vs non-educated) contingency table, a chi-square test of independence indicates whether two categorical or nominal variables are associated or independent (Smith et al., 2009). The chi-square independence test is also called a contingency table chi-square test. The equation for calculating chi-square in each of the cases is different (Beri, 2005). In evaluating a hypothesis, we compare the Asymp. Sig value with our pre-set alpha (p value) of 0.05. We reject the null hypothesis if the Asymp. Sig value is greater than our pre-set p value and vice-versa. As non-parametric tests, chi-square tests are robust and do not depend on assumptions about the underlying population distribution. Chi-square tests are used widely in tax compliance research (see Torgler, 2007; Devos, 2012).

5.8.2 Factor Analysis

Factor analysis is a statistical technique used to assess the underlying dimension of a set of items based on observed correlations between them (Field, 2014). Items highly correlated with each other are considered to have a single dimension or factor. Factor analysis is used as a technique when a variable cannot be measured directly, for example, knowledge or culture. In such cases, measurable and observable features of that variable are used to represent the target variable (Yong and Pearce, 2013). For example, scores for oral performance in the classroom or viva-voce exams could be considered a factor to be called “communication ability”. Here, the latter is inferred from the former, since it cannot be measured directly. Royce (1963, cited in Kline, 1994:5) gives a more precise definition, stating that, “A factor is a construct operationally defined by its factor loadings” where “factor loadings are the correlations of a variable with a factor.” Thus, in the above example, the factor loading would be the correlations of the viva-voce exam with communication ability as its factor. Factor loadings over 0.60 (irrespective of sign, positive or negative) are considered high, and over 0.30 moderately high (Kline, 1994).

In exploratory research where the main purpose, as in this research, is to explore a field, discovering the latter’s main constructs or dimensions is the major task. With the help of factor analysis, we identify which variables are important for understanding the power relationship between taxpayers and tax professionals. In tax research, factor analysis is a widely used statistical tool (see Yucedogru, 2016, for factor analysis on the tax morale of owner managers; Chen et al., 2010, for tax aggressiveness by family business; and Lennox et al., 2012, for tax aggressiveness by public companies).

5.8.3 Correspondence Analysis

It was Hirschfield (1935) who first formulated the idea of correspondence analysis (CA) in the 1930s. Following the seminal work of French mathematician Benzecri in his *Analyse des Donnees*, 1973, CA became extensively used in social science research (Blasius and Greenacre, 2006). The application of this method was significantly increased by the work of Pierre Bourdieu (Lebaron, 2009; Hjellbrekke and Korsnes, 2009).

As an exploratory multivariate method, CA produces graphical and numerical analyses of almost all data matrices with non-negative values, mainly involving frequency tables. The data used in CA is category-oriented and is suitable for conducting ranking and preference data, paired comparison data, and multi-response tables, among others (Blasius and Greenacre, 2006). CA is closely related to principal component analysis (PCA), which also uses categorical data, and presents the rows and columns of the frequency tables in a high-dimensional Euclidean space (Hjellbrekke and Korsnes, 2009). But the main objective of this method is to capture the principal dimensions by redefining/eliminating the insignificant ones, based on correlations between the rows and column values, measured through chi-square statistics (Greenacre, 2006). The symmetric map thus produced by CA represents the maximum possible variance of a few dimensions or categories of a variable, usually in two dimensions (Lebart, 2006). This is somewhat like the coefficient of determination in a linear regression analysis, which indicates how much of the variance is being explained by the variables in the model. Each orthogonal axis or dimension of the CA accounts for a part of the variance.

Interpretation of a CA map requires the researcher to describe how the categories of the variable lie relative to one another, and how these categories spread out relative to the other variable in the graph. In these maps, presentations are made in relative terms, showing that one category is different from another, but not giving any measurement of the difference. For example, the graph may show that educated people are more tax compliant than the non-educated people; but it cannot show how much more. However, looking at the deviation of a dimension from the centre of the map, which represent the average of the dataset, one can understand the relative distance between them (Lebart, 2006). Due to its approach of embedding categorical data, MCA is also called homogeneity analysis.

CA has gained increasing importance in survey research, where most data are collected as nominal or ordinal categorical items. For its use of qualitative variables, this method is called “quantification of qualitative data”. MCA is an extension of CA, as CA uses two variables, whereas MCA uses multiple variables (Greenacre, 2006). There is no difference in interpreting the variables, as is the case in a simple CA. The categorical measurement of variables in this research proposes the use of CA as the fitting model. Correspondence analysis is not new in tax research. Rosid et al. (2016) use it to explore the nature of dependence on tax professionals by personal and corporate taxpayers in Indonesia; Tran-Nam et al. (2016) to study the impact of tax complexity on tax compliance; and Lozza et al. (2013) to show the relationship between political ideology and tax compliance attitudes.

For the present research, the survey topics, the questions, their items and scales were based on the literature review and standard survey techniques, as

mentioned in Table 5.3. The survey contained 37 questions, of which some were used for descriptive statistics and some for inferential statistics. The 22 questions in Table 5.3 were chosen mainly to run inferential statistical analysis. The remaining 15 questions were to be used for descriptive statistics. Operational definitions of each of the variables will be given in the relevant data analysis section, supported with details of the reliability and validity checks.

Table 5. 3 List of dimensions/constructs with related questions and literature

Constructs/Dimension	Description	Variable type	Example from Literature	Questionnaire Question no
Tax law difficulty	Measuring whether the tax laws are difficult based on respondent's stated preference on a five-point Likert scale of 1 – very difficult, 2 – difficult, 3 – uncertain, 4 – not difficult, and 5 – not difficult at all.	Ordinal	Literature: Schenk, 2011	Q. 20
Tax law uncertainty	Measuring whether the tax laws are uncertain based on respondent's stated preference on a five-point Likert scale of 1 – highly agree, 2 – somewhat agree, 3 – uncertain, 4 – disagree, and 5 – totally disagree.	Ordinal	Literature: Krause, 2000	Q. 31
Tax system complicatedness	Measuring whether the tax system is complicated based on respondent's stated preference on a five-point Likert scale of 1 – very complicated, 2 - complicated, 3 - uncertain, 4 – not complicated, and 5 – not complicated at all.	Ordinal	Literature: Carnes and Cuccia, 1996	Q. 19
Problematic aspects of tax laws	Decided on the basis of respondent's comments on different aspects of tax	Ordinal	Literature: Yong, 2011; Ingraham et	Q. 21

	law. The categories were: determination of taxable income; calculation of tax; book-keeping and accounting; frequent changes in tax law; lengthy tax procedure; and, other.		al., 2005; Carnes and Cuccia, 1996, modified	
Academic qualifications	Defined on the basis of respondent's academic degrees. The categories were: UK school certificate; UK undergraduate; UK master's; Bangladeshi school certificate; Bangladeshi undergraduate; Bangladeshi master's; Others.	Nominal	Literature: Veenstra, 2009	Q. 11
Taste for music	Defined on the basis of respondent's enthusiasm for music. The categories included: Bangladeshi; Hindi; English; Others.	Nominal	Literature: Coulangeon and Lemel, 2009; Bennett et al., 1999; Friedman, 2016, modified	Q. 12
Cultural participation	Measured on the basis of respondent's stated preference for the different options. The options included: museum; art gallery; concert; cinema; community festivals/fairs; none.	Nominal	Literature: Coulangeon and Lemel, 2009, modified	Q.15
Business capital	Measured on the basis of business capital respondents had. The categories included: less than £100,000; £100,000-£200,000; £200,000-£300,000; £300,000-£400,000; £400,000-£500,000; and above	Nominal	Literature: Veenstra, 2009, modified	Q. 4

	£500,000 but < £1,000,000.			
Housing condition	Defined on the basis of whether the respondent lived in a rented property or one owned by himself/herself.	Nominal	Literature: Veenstra, 2009	Q. 14
Social network	Measured on the basis of respondent's stated preference for the different options. The options included: friends; accountants; community leaders; government offices; family members; others.	Nominal	Literature: Veenstra, 2009; Torgler, 2003; Sepulveda, 2008, modified	Q. 8
Community involvement	Defined on the basis of whether the respondent preferred to be associated with community organisations or not. The three categories were: member or participant of a cultural organization; member or participant of a social organization; and member or participant of a political organization.	Nominal	Literature: Veenstra, 2009; Zimders et al., 2009, modified	Q. 9
Tax compliance	Measured on the basis of respondent's stated preference on a five-point Likert scale of 1 – very important, 2 – important, 3 – uncertain, 4 – not important and 5 – not important at all.	Ordinal	Literature: Kirchler and Wahl, 2010; Brink and Porcano, 2017, modified	Q. 24
Tax attitude	Measured on the basis of respondent's stated preference on a five-point Likert scale of 1 – very good, 2 – good, 3 – uncertain, 4 – not good and 5 – not very good.	Ordinal	Literature: Kirchler and Wahl, 2010; Brink and Porcano, 2017, modified	Q. 18

Reasons for tax help	Decided on the basis of respondent's choice from 6 categories: tax return is confusing; busy with the business; don't understand the tax law; tax language is not easy; tax inspectors/tax officials are not helpful; and, other.	Nominal	Literature: Yong, 2011; yuan et al., 2013, modified	Q. 22
Satisfaction with tax advice	Measured on the basis of respondent's stated preference on a five-point Likert scale of 1 – highly satisfied, 2 – satisfied, 3 – uncertain, 4 – not satisfied and 5 – not satisfied at all.	Ordinal	Literature: Devos, 2012, modified	Q. 34
Quality of tax advice	Measured on the basis of respondent's stated preference on a five-point Likert scale of 1 – almost always, 2 – sometimes, 3 – once in a while, 4 – rarely and 5 – never.	Ordinal	Literature: Devos, 2012; Department of Labour New Zealand, 2012, modified	Q. 32
Pressure from tax adviser	Measured on the basis of respondent's stated preference on a three-point Likert scale of 1 – yes, 2 – uncertain, and 3 - no.	Ordinal	Literature: Beckert, 2010	Q. 29
Conflict with tax adviser	Measured on the basis of respondent's stated preference on a two-point Likert scale of 1 – yes, 2 – no.	Ordinal	Literature: Parnaby, 2009, modified	Q. 27
Type of tax adviser	Decided on the basis of respondent's choice from three categories: in-house tax adviser; hired tax adviser; both.	Nominal	Literature: Akhand and Hubbard, 2016	Q. 7
Trustworthiness of tax adviser	Measured on the basis of respondent's stated preference on a five -point Likert scale of 1 – highly trustworthy, 2 - somewhat	Ordinal	Literature: Devos, 2012; Sakurai and Braithwaite, 2001, modified	Q. 30

	trustworthy, 3 - uncertain, 4 – not trustworthy and 5 – not trustworthy at all.			
Dependence on tax advice	Measured on the basis of respondent's stated preference on a five -point Likert scale of 1 –very seriously, 2 – seriously, 3 – uncertain, 4 – not seriously, 4 – not seriously at all.	Ordinal	Literature: Devos, 2012, modified	Q. 36
Influence of tax advisers	Measured on the basis of respondent's stated preference on a five -point Likert scale of 1 – significant influence, 2 – some influence, 3 – uncertain, 4 – little influence, 5 – no influence.	Ordinal	Literature: PwC, 2013; Klepper et al., 1991, modified	Q. 37

All the questions or the ideas behind the questions in the survey emerged from the literature reviewed for this study. But they were modified to some extent to better match the purpose of the question they were associated with. As demonstrated in Table 5.3, there was enough support in the literature to raise survey questions on tax complexity, tax risk and tax compliance. However, there was a dearth of literature on quantifying Bourdieu's concepts, because of the predominantly qualitative work done in this area. The few quantitative studies include Coulangeon and Lemel (2009); Bennett et al. (1999); Veenstra (2009) and Zimders et al. (2009). In this study, for example, in measuring economic capital, the items taken, business capital and housing conditions, were based on Veenstra (2009), who uses house ownership and household income as measures of economic capital. Housing conditions also represent a measure of social capital. The neighbourhood, whether it comprises privately owned

bungalows or subsidized public housing, impacts on the formation of social relations (Sayad, 1999). The items educational qualifications and participation in cultural and social organizations, to measure cultural and social capital respectively, were also inspired by Veenstra (2009). Some items of social capital, for example visiting art galleries or concerts, were chosen from Zimders et al. (2009).

Another item of cultural capital used was listening to music. Bourdieu comments (quoted in Bennett et al., 1999:171): “Nothing more clearly affirms one’s class, nothing more infallibly classifies, than taste in music.” Various studies have used listening to music as a measure of cultural capital. For example, Coulangeon and Lemel (2009) and Zimders et al. (2009) asked questions on how many times people listened to music. Bennett et al. (1999) asked questions on which genres of music – jazz, classical, pop, and so on – were their respondent’s favourite to measure cultural capital.

This study asked respondents whether they listened to Bengali, English or other music, rather than whether they listened to jazz, pop or classical music. There were two reasons behind this. First, music is not only a symbol of taste and culture; it is also a “strong marker of national identity” (Bennet 2015:143). The respondents in this study were immigrants, not natives as in the above-mentioned studies. Questions on musical language could help measure both the cultural capital and the “sense of place” or national identity of respondents, which was very important for this study. Second, measuring musical taste through musical language not only measures cultural capital but also respondents’ economic and educational status. This is because access to music requires money, knowledge and linguistic-cognitive ability (Bennett et al., 1999). Cui (2015) finds that Chinese

students in Canada listening to oriental music rather than English music are considered deviant and lacking in legitimacy and are denied access to social and educational fields.

5.9 Integration of Qualitative and Quantitative Data

A common concern in mixed methods research is the integration of qualitative and quantitative data. Bryman (2006) comments that in mixed methods, the purpose is not to subordinate one set of data to another, but rather to enable them to complement each other through the integration process. Data collected in semi-structured interviews may help with quantifying the variable in a structured questionnaire or help explain why a statistical variable is significant or insignificant. The integration of qualitative and quantitative data, therefore, depends on the purpose of the research and how, when and why they are collected (Morgan, 1998; Morse, 1991; Creswell, 2003; Bryman, 2006).

Qualitative and quantitative data can be collected simultaneously or sequentially (Morgan, 1998); one may have priority over the other, or they may have similar importance (Morse, 1991); and the purpose of integration may be explanation, exploration or triangulation (Bryman, 2006; Creswell, 2003). The major means of integration are the following:

- a. Triangulation: Comparing the findings expressed by qualitative and quantitative data to see whether they converge, corroborate or conflict (Hair et al., 2011; Mark, 2015);
- b. Complementary integration: Replicating, verifying and generalizing the findings of one method with the results of another (Greene, 2007; Tashakkori and Teddlie, 2009);

- c. Developmental integration: The results of one method inform the design or structure of another: for example, sampling and measurement issues (Greene, 2007; Bryman, 2006);
- d. Initiation: The purpose here is to identify new areas of exploration, resolve paradoxes or conflicting evidence, and recasting the research question (Rossman and Wilson, 1985, quoted in Mark, 2015);
- e. Expansion: Applying different methods for different research question to extend research breadth and range (Greene, 2007); and
- f. Bracketing: Looking at a wide range of findings and how they diverge, rather than at their convergence as targeted in triangulation (Mark, 2015).

The above six are the most common modes and reasons for integration; but besides these, there are some others (Bryman, 2006; Greene, 2007), for example: offsetting the weakness of one set of data by using another; increasing completeness in a research study by adding another perspective to the research problem; and improving credibility by combining two streams of data. Often, the purpose of mixed methods may not be any of the above, but rather to answer different questions by different methods, since some questions can be better answered by quantitative rather than qualitative data, and vice versa. For example, “how” questions or process matters are often better explained with qualitative data; whereas “what” questions may be better attempted with quantitative data.

The present study combined quantitative and qualitative data to complement the findings from one set of data with those from another. As stated in Section 5.3, all subsidiary questions used quantitative and qualitative data. Thus, the purpose of integration in this study was completeness, or to offset the weakness of one

set of data by using another. This objective required the researcher to consider the results of both datasets in reaching conclusions about the research question.

5.10 Scales and Items of Survey Questions

The scales and items of survey questions play a pivotal role in measuring a construct or variable. In the questionnaire survey, 15 questions were posed directly, which is often criticized because direct questions may fail to elicit valuable information on respondents' choices (Spector, 1992). However, asking direct questions has been a well-accepted practice in tax compliance and other social science disciplines for several reasons. Kirchler and Wahl (2010: 7), to measure tax cheating as a variable, asked the question: "Have you ever evaded taxes or cheated on your income tax return?" with the obvious answer choices – "yes" or "no". Likewise, Torgler (2003), to measure taxpayers' awareness of IRS, asked, "Do you ever talk about IRS and its activities with your family?" offering an answer choice of "yes" or "no". Torgler (2003:348) also measured tax avoidance with a single question with a binary answer choice: "Can you tell me whether, recently, you have known someone, or have heard someone you know comment about somebody who has: Managed to avoid paying all his tax (1 = yes, 0 = no)." Dolores et al. (2010:862) measured immigrant's role in financing public expenditure by asking a question with a dichotomous variable, which took the value 1 if they thought they should pay tax, and 0 if they thought they shouldn't. Of others, Dolnicar et al. (2011) asked mainly "yes-no" type questions to measure people's taste for food in marketing research; and Ferraro and Wilmoth (2000) did the same to measure morbidity in medical science research.

Asking some direct questions not only makes the survey simple and parsimonious, but also increases response rates (Dolnicar et al., 2011). Morse

and Niehause (2009:79) comment that for mixed methods research “parsimony is perfection”, and data can be messy if the questions have supplementary components. In this connection, Ferraro and Wilmoth (2000 :173) suggest that a yes or no answer “is not a report about how one feels about a specific condition, but rather a report of a condition”. This enforced binary measurement of variables as a replacement for the Likert scale (Dolnicar et al. 2011) is also reflected in measuring tax compliance. In measuring reporting compliance, Christian and Alm (2014: 72) describe a “binary variable showing if the subjects reported the entire income to the tax administration, equal to 1 for full compliance and 0 otherwise.”

However, in most of the cases, this study used a five-point Likert-scale where the multidimensionality of the construct was considered more important (Bordens and Abbott, 1991; Spector, 1992). For Likert-type scaling, it is argued that to maintain reliability and validity, five to 10 scales are desirable, although it depends on the variable under measurement (Sullivan, 2001). Thus, this study used five scales, except in a few cases where it used three scales. Respondents’ attitude or opinion could be understood by asking them hypothetical questions directly, or by looking at their real-life experiences and actions. Likert-type scaling is based on the former, which is called “the revealed preference method”. In the revealed preference method, respondents freely state their opinions and attitudes in response to a question about a topic (Mitchell and Carson, 1989). The strong point of the stated preference method is the wide range of choices it offers to capture a real-life scenario, which can be ranked ordinally to reflect choice. However, there are measurement problems in such approaches when the respondent gives a meaningless answer or chooses an answer that is not a true reflection of his belief. Another problem of this approach arises when the

questions relate to the past life experience of respondents (Bordens and Abbott, 1991).

One of the critical questions in measuring a construct or variable is whether a single item or multiple item should be followed. In tax and other social science disciplines, there are ample examples of variables being measured with single items only. For example, Torgler (2003:273) asked only a single question to measure tax complexity, with a Likert-scale of five choices: "How complicated do you think our federal income tax laws and rules are for your particular income situation (1= not at all complicated/very easy to understand, 6 = extremely complicated/very difficult to understand)?" In other academic disciplines, Cook and Perri (2004) studied compliance with medication, and Khaled (2006) successfully measured happiness, both with a single question.

With a single question, it can be difficult to measure a construct, particularly when it is non-concrete. The chance of measurement error is high in such cases. Nevertheless, there are good points to having a single question. Bergkvist and Rossiter (2007: 175) argue that if the construct is unambiguous, "there is no difference in the predictive validity of the multiple-item and single-item measures." Bergkvist and Rossiter (2007: 176) further comment that, "Preference for single-item measures is not theoretically based but rather is practical, in that single-item measures minimize respondent refusal and reduce data collection and data-processing costs." Therefore, Bajpai (2011) suggests that the research objective should dictate whether to use a single-item or multi-item question. Despite the fact that constructs could be successfully measured with single items, this study would in most cases use multiple questions.

5. 11 Cross-sectional Research and Causality

Choosing the right research design is a highly technical decision, the result of which provides a bridge between the research questions and data analysis (Chambliss and Schutt, 2013). A study can be designed in several ways: descriptive, correlational, experimental, cross-sectional and review (de Vaus, 2001). This study employed a cross sectional design, often called a social survey, which involved the collection of qualitative or quantitative data on more than one case *at one point of time* (Bryman and Bell, 2015). The process is like taking a slice that cuts across the population and then trying to understand its various parts from that slice (Chambliss and Schutt, 2013). In this design, more than one case is chosen to ensure variation in the variable of interest and identify differences between cases. A natural consequence of this is that data need to be systematic and standardized. The snapshot nature of data collection requires the participants to complete the questionnaire or otherwise provide the information simultaneously. Since there is no time ordering of the variables, as is the case in time series or longitudinal data, any relationship found between them does not necessarily mean a causal relationship but is rather termed an association. In this case, Bryman (2015) comments that researchers should be more concerned about relationships than causality.

However, it is possible to infer causality in a cross-sectional research study. In terms of reliability, replicability and validity, cross-sectional research has both weak and strong points. Internal validity is usually weak, as there is no temporal order in the data collection, and thus it is difficult to claim causality (Howe, 2004). Reliability depends on how efficiently the questions can measure the variable, and replicability can be good when the research process and the selection of respondents are well presented (Bryman, 2015). External validity of cross-

sectional research is good if the samples are randomly selected. Although, cross-sectional designs are mainly followed in quantitative research, qualitative research can be successfully carried out with them (Miles et al., 2014; Hakim, 2000). For this reason, employing a cross-sectional design was considered most suitable for this study, as it would use both qualitative and quantitative data.

Moreover, this research would involve interviewing a number of people, which would entail using the cross-sectional design format (observations 1, 2, ...n X cases, 1.2...n), where the criteria of reliability, validity and replicability would not be a matter to obsess over. Bryman (2015:56) comments that a conversational interview style makes “the study more ecologically valid than research using more formal instruments of data collection”. Similarly, Denzin and Lincoln (2000) substitute internal validity for credibility, external validity for transferability, reliability for dependability and neutrality for confirmability of qualitative data. Credibility refers to presenting the reports to the interviewee, and transferability indicates rich descriptions of study settings rather than probabilistic sampling. On the other hand, dependability can be achieved by auditing – detailing data, methods and decisions – which also contributes to confirmability. Some researchers also challenge the epistemological assumption associated with the concept of validity on the ground, since social reality is multiple, not single, and thus cannot be measured objectively (Biber, 2010; Kuzmanic; 2009).

5.12 Insider Research: A Challenge and an Advantage

An insider researcher is one who is researching his or her own organization, community or culture (Andits, 2014). By distance, Voloder (2014) refers to the cultural, social, and identificational differences between the self and others, but not to a personal distance. In social science research, personal relationships

remain the vehicle for eliciting information and insight. To Aguilar (1981), an insider research study is one where the researcher has some experience of, and insight into, the research context, and the research object, through personal or professional experience.

This researcher in this study shared the ethnic background and mother tongue of the respondents, which makes it an insider research study. This sometimes created problems for the researcher, who was challenged about the purpose of the research and suspected of intending to hand over tax information to HMRC. A Bangladeshi ethnic researcher in Los Angeles, Islam (200:35) comments that, "Because of my Bangladeshi origins ... the community questioned my insider status." "Insiderness" also creates role confusion, a conflict between the daily life schedule and the researcher role; and the researcher may be uncritical about the data and its meaning (Pavlish and Parrish, 2012).

According to the Ethics Guidance issued by the researcher's university, it was necessary to ask respondents for a formal signature to indicate consent. This created a moment of alienation with some respondents, who suspected they might be being spied on. In such cases, the researcher, as Ozkul (2014) suggests, must strike a balance between consent by act and the consent by signature. Insider research in a researcher's own community always moves between suspicion and challenge. Andits (2014), a Hungarian researcher in Australia, comments that although "I had assumed that my nationality would give me fair access to the field, I soon discovered that consent within the Hungarian immigrant community is a lengthy and negotiated process."

One of the criticisms or drawbacks of insider research is that the researcher's involvement with the organization or community that he represents may inhibit

his observation of social and cultural reality. It also raises questions about the power relations between the researcher and the respondents, which may hinder the free flow of information in the conversation. This research was not free from such a risk. The researcher, a civil servant in the tax administration of Bangladesh, met two tax advisers in London who used to work as tax practitioners in Bangladesh. Such unequal power relations can be tackled by reflective awareness and analytical scrutiny by the researcher (Wickins and Crossley, 2014; Brannick and Coghlan, 2007; Voloder, 2014).

Insider research has certain advantages over research by outsiders. First, insider research can easily decipher the meaning of deeply embedded social norms and beliefs practised by the participants (Pavlish and Parrish, 2012). Insider research can also make heard the voice of those who are underrepresented in, or excluded from, society. In such research, neither the researcher nor the participants face any cultural shock. They can use the tacit knowledge they possess and can respect each other's interests, being native and speaking the same language (Brannick and Coghlan, 2007; Wickins and Crossley, 2014).

A benefit of insider research, as Wickins and Crossley (2014: 228) argue, is that "access to qualitative and quantitative data is often easier", which supports the mixed methods data collection of this research project. Insiderness is less likely to disturb the natural setting of the research environment and allows easy access to the community. Participants will accept the researcher as a member of their own society and reveal facts freely (Sikes and Potts, 2008). This supports PhD research, which aims at creating new knowledge supported by standard research practice and convincing evidence, where personal or biased judgment are likely to stand out (Drake and Heath, 2010).

On balance, the advantages of insider research outweigh the disadvantages, especially because of the grasp of the research context insidership allows. In this study, having the same language made it easy to transcribe the interviews meaningfully and sort out the data efficiently. It also reduced dependence on research assistance and increased the quality and response rate of data. Finally, to reduce anxiety among participants, ethical standards were seriously maintained, which will be discussed in the next section. Thus, the study results were not greatly affected by the researcher's prior exposure to the community.

5.13 Ethical Considerations

Tax compliance is a highly sensitive topic (Torgler, 2003), because it deals with people's private and classified information. This is especially the case when respondents have ambiguous feelings about their identity in the society they live in (Constant and Zimmermann, 2013). Sepulveda et al. (2008:20) find that immigrant entrepreneurs in the UK provide vague information on their economic activities and are "reluctant to disclose information on the sensitive issues investigated." Immigrants think that sharing information, particularly with an insider researcher, may not be safe. Not only taxpayers, tax advisers have these feelings about talking to a stranger about their internal business policies.

It is only by demonstrating high ethical standards that researchers can motivate immigrant business owners to share information (Hakim, 2000; Haggan and Guillemin, 2012). Haggan and Guillemin (2012) comment that respect for participants, for their integrity and for human autonomy are the ethical principles that should form the basis of humane research. The researcher has no right to threaten or intimidate a participant for declining to participate in a survey or interview. In this research, the respondents to the survey and interviews were

informed of their rights from the beginning. They were told that they should share information only if they were willing to, and could withdraw at any time if they did not wish to continue.

Maintaining the confidentiality of information and anonymity of respondents is another feature of ethical practice (Mason, 1996). Respondents should be guaranteed that their information will be stored in accordance with the data confidentiality rules of the researcher's university. If data sources need to be authenticated, the respondents can be pseudonymised (Haggen and Guillemin, 2012; Silverman, 2005). In this study, breach of confidentiality might have had negative consequences in terms of intracommunity risk, disruption of relationships and the creation of mistrust (Atfield et al., 2012; Kaiser, 2012). Kaiser (2012) suggests that confidentiality dilemmas should be addressed in all three stages – pre-interview, during the interview and post-interview.

One important objective of the interview was to learn about the respondents' level of general knowledge of the tax system and to challenge them if they were hiding information or misguiding the researcher. Tax advisers' knowledge about the tax system and its complexity was evident in the discussion with them since most of them were professionally trained. The small business owners, on the other hand, had no specific knowledge about a tax code but they frequently mentioned about the complexities, time needed in tax calculations, income determination and record-keeping. They indicated that different definitions of wages, income, certain deductions and inconsistent method of payroll reporting were some of the major problems in the tax system. While the focus of discussion was on tax compliance and complexity of the UK tax system, some business respondents complained

that the volume of information in the tax code made it difficult to gather knowledge and engage with the tax system.

5.14 Methodological Limitations

Several limitations must be acknowledged before we make any claims for the study findings. First, this study looked at one community to understand their tax practice. Comparison with other communities could improve the generalisability of the study findings. However, the study covered multiple-locations and the wider population of the Bangladeshi community, which meant the research design was stronger (Hakim, 2000). Second, all the common limitations of survey research apply to the study. In a survey, what a respondent discloses and what he believes may be different things, which may affect the measurement of the variable. Bryman (2015) comments that the quality of perceptual and self-reported psychometric information depends greatly on how serious and truthful the respondents are in expressing their opinion. If they talk rubbish, it seriously affects the data quality. Again, the reliability of the survey depends greatly on the item analysis, scales and wording of the questionnaire.

A limitation for this study was that some questions were put directly to the respondents, out of consideration for the busy schedule of their everyday life. However, direct questions are not a major concern. In tax and other areas of social science, many studies have been successfully conducted with direct questions, as stated above. Besides, the survey asked two-item questions in some cases, for example in cases of measuring tax complexity or tax compliance. There is support in the literature for using two-item questions. Sheffrin and Triest (1992) used a two-item question in measuring attitudes towards tax compliance; and Murphy (2004) uses one to measure trust.

5.15 Chapter Summary

This chapter has discussed the main and subsidiary research questions in relation to the gap in the extant literature. It has outlined contending research methods and attempted to justify the methods chosen as being the most suitable for the study. The chapter has offered a clear account of the plans for fieldwork, the selection of participants and the conduct of interviews, explaining what would be the major sources of data, how the data were to be collected, and how they were to be analysed to answer the research questions. The design and sequence for sampling and data analysis have been discussed. And, finally, validity and reliability issues, along with generalisability, have been elaborated. In the next chapter, we shall begin data analysis process and start by answering the first and second subsidiary questions.

CHAPTER VI

TAX COMPLIANCE PROBLEMS AND PERCEPTION OF TAX COMPLEXITY AND TAX COMPLIANCE

6.1 Introduction

This chapter will attempt to answer the first main research question: “Is Bangladeshi small family businesses’ engagement to the UK tax system problematic?” by answering the two subsidiary questions under it. The first subsidiary research question, raised in Sections 5.3, was: “What aspects of tax compliance are most problematic for small Bangladeshi family businesses in the UK?” And the second was: “How do small Bangladeshi family businesses perceive the UK tax system and its complexity?” To answer the first one, the problems associated with the preparation and submission of tax returns will be analysed in section 6.3. To answer the second subsidiary research question, first, the perceptions of Bangladeshi immigrant family businesses (termed immigrant businesses) about the UK tax complexity and compliance will be discussed in section 6.4.1. Then, their perceived understanding of the tax system will be examined in terms of their socio-economic and cultural background in sections 6.4.2 to 6.4.7 using both the survey and interview data. This cross-examination will demonstrate how and to what extent perception-making and conceptualization of tax compliance is an outcome of taxpayers’ social and economic conditions.

6.2 Data and Descriptive Statistics

The data for this study were collected from two sources: face-to-face interviews and a questionnaire survey (see Section 5.6). The questionnaire survey was conducted among 139 Bangladeshi businesses in the UK, all of whom were small businesses. One hundred and twenty-three of them participated in the survey. However, data screening shows that 22 of them were business partnerships between unrelated persons: the partners were not related as parents, siblings, cousins or in any other relationship that could fall within the broad or narrow definition of a family business (Lipman, 2010; Gimeno et al., 2010). It is to be noted that close or distant family members can form a business partnership between them, but a business partnership formed by completely unrelated individuals is not a family business (see Section 3.2.1 for the essential features of a family business). Since this study took family businesses as the unit of observation, those 22 samples were dropped, and thus the questionnaire survey had an overall response rate of 72%. In Table 6.1, the salient demographic features of the sample are presented.

Table 6. 1 Respondents' demographic features (N=101)

Characteristics	Categories	Frequencies	Percentages
Ownership Structure	Company	73	72.3
	Sole Proprietorship	28	27.7
Number of Employees	0-10 employees	83	82.2
	10-20 employees	18	17.8
Total Capital (In Pounds Sterling)	< 100,000	71	70.3
	100,000-200,000	12	11.9
	200,000-300,000	8	7.9
	300,000-400,000	4	4.0
	400,000-500,000	2	2.0
	500,000> but ≤1,00,0000	4	4.0
Academic Qualification	UK school certificate	7	6.9
	UK undergraduate	24	23.8
	UK master's	9	8.9
	Bangladeshi school certificate	32	31.7
	Bangladeshi undergraduate	19	18.8
	Bangladeshi master's	10	9.9
Business Sector	Catering	42	41.6
	Groceries	25	24.8
	Transport	23	22.8
	Others	11	10.9

The table shows that most family businesses (72.3%) were privately held companies, with only 27.7 % being sole proprietors. Immigrant businesses with 10-20 employees numbered only a few (17.8 %), and the majority (82.2%) had 0-10 employees. Catering businesses constituted the major group (41.6%), followed by groceries (24.8%), transport (22.8%) and miscellaneous businesses (10.9%), for example travel agency, money transfer, printing and packaging, and

so on. Immigrant businesses having a total capital below £100,000 made up the major band (70.3%), followed by those with £100,000-£200,000 (11.9%). A few businesses (13.9%) had a total capital of between £200,000 and £ 500,000, and a very few had over £500,000 (4.0%). In terms of educational qualifications, Bangladeshi school certificate was the major group (31.7 %), followed almost equally by the UK and Bangladeshi undergraduate degree groups, 23.8% and 18.8% respectively.

6.3 Problematic Aspects of Tax Compliance for Immigrant Businesses

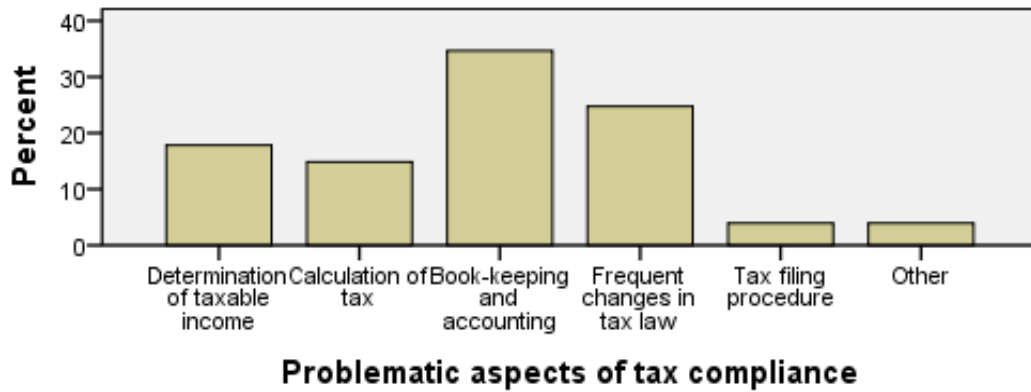
One way to understand what makes tax compliance difficult for a class of taxpayers is to examine the fundamental practical aspects of compliance. Various aspects – for example, the need to identify the appropriate tax forms, calculate tax, determine exemptions and deductions, and determine income, capital gains and tax credits – are potential barriers to compliance. Considering the type of taxpayers, i.e., immigrant businesses, and the nature of their businesses, i.e., small and family owned, the following five aspects of tax compliance were considered:

- Determination of taxable income
- Calculation of tax
- Book-keeping and accounting
- Frequent changes in tax law
- Tax filing procedure

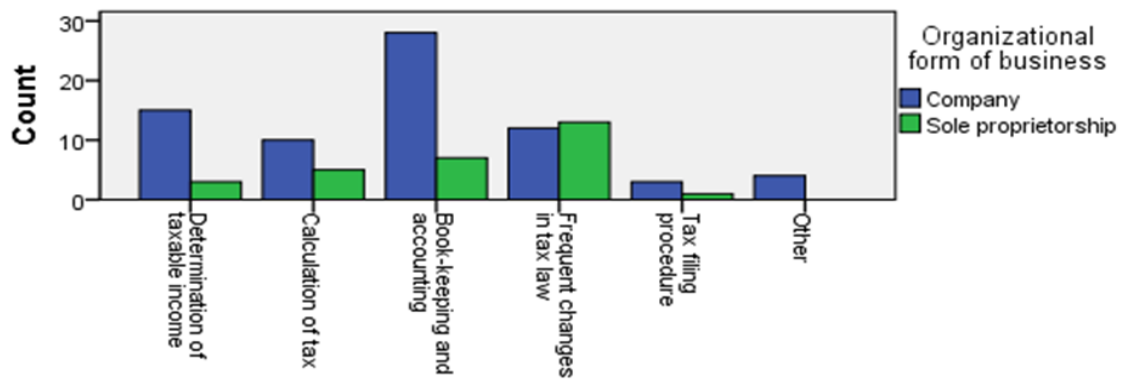
The reasons for choosing these five alternatives, and the support provided by the international tax literature, were discussed in Sections 4.5 and Table 5.3. There have been several studies that have shown that complying with the complexity of tax codes (Kaplow, 1996; Schenk, 2011; Milliron, 1985; Gratez, 1997; Snape,

2015), maintaining records (Levitt, 1995; Masurel et al., 2004; Inland Revenue, New Zealand, 2014; Pabon and Klima, 2017) and calculating taxable income and taxes (Mulligan and Oats, 2009; Kamleitner et al., 2012; Kloosterman et al., 1999) make it difficult to achieve tax compliance.

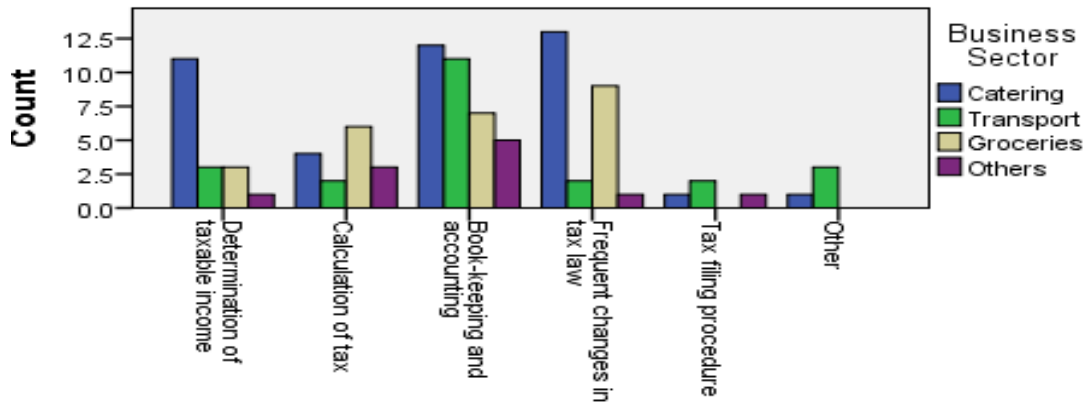
Bar Chart 6. 1 Problematic aspects of tax compliance



Bar Chart 6. 2 Problematic aspects of tax compliance viewed by organizational form



Bar Chart 6. 3 Problematic aspects of tax compliance viewed by business sector



Bar Chart 6.1 shows that for most family businesses, book-keeping and accounting (34.7%) was the most difficult area contributing to tax compliance management, followed by frequent changes in tax law (24.8%) and determination of taxable income (17.8%). For a comparatively smaller percentage of respondents (14.9%), tax calculation created problems in achieving tax compliance. Almost none of the respondents thought that the tax filing procedure was a major problem. Discussion with the respondents suggests that once the tax return is prepared with the help of their adviser it could be submitted easily opening an online account with HMRC. Understandably, compared to return preparation which requires determining taxable income and calculating tax liabilities, it is easier to file the return processed by the adviser except in certain cases (discussed further in section 6.3.5).

However, the problematic aspects of tax compliances varied according to the nature and type of business. For privately held companies, as demonstrated in bar chart 6.2, determining taxable income or book-keeping and accounting seemed more problematic than the other aspects of tax compliance. On the other hand, sole proprietors perceived changing tax law as the most problematic area.

In terms of business sector affiliation, as illustrated in Bar Chart 6.3, catering and groceries businesses viewed determination of taxable income as a major concern, along with frequent changes in tax law and tax calculation. For transport businesses, book-keeping and accounting seemed to be the major concern. Overall, common concerns reported by the respondents, irrespective of business ownership or sector affiliation, included book-keeping and accounting, determining taxable income and frequent changes in the tax law. How and why they emerged as problems is explained below:

6.3.1 Book-keeping and Accounting

As the interviews revealed, book-keeping and accounts preparation was a major concern for immigrant family businesses, mainly for two reasons: first, the cost and time involved in book-keeping; second, the risk or tax implications of poor book-keeping. Book-keeping is the job of an internal auditor or an accountant – a person whom small immigrant businesses could not afford in most cases.

Some respondents expressed frustration that the legal requirement for keeping documents spanned several years, since the tax authority might demand them for audit or investigation purposes. These respondents stated that immigrant businesses lacked knowledge or expertise about how records could be kept. This was particularly burdensome in one-director-one-worker small businesses, where long hours were worked to manage the business. When asked whether they considered record keeping a part of their daily activities, these respondents commented that keeping records for personal understanding and for tax returns were two different things, since mistakes in their documents might cause an unexpected tax burden.

Moreover, there was confusion among immigrant businesses about whether managing records was their job or that of their tax advisers. Some small businesses believed that documentation requirements should be arranged as a part of tax advice, while the tax advisers believed that it was the taxpayers' duty to maintain documents in real time. A professional tax adviser observed that even if immigrant businesses kept records, there was a question mark over the authenticity of these, since most of the businesses had no real-time accounting system. They did their record-keeping job at the end of the month, or even later. Further, due to poor knowledge of accounts or poor basic education, in some cases, immigrant businesses experienced considerable difficulties in data management, resulting in document fabrication in some cases. When the documents reached the tax advisers, at the end of accounting year, there was not much time to correct the records and it becomes administratively and financially burdensome to help the businesses.

The following comments are worth noting:

Book-keeping cost is high. I need to maintain a full-time book-keeper only to maintain records. In addition, I go to the accountants and pay fees. I know that the return can be submitted online, but it cannot be prepared online. We need to work all over the years to make tax filing proper. (BO03)

I would say that book keeping is the main reason for tax compliance to be complicated for us. Because it is a highly technical job to classify economic transactions in a way that would make tax compliance easy. We always try to ensure that the transactions we make don't attract undue income tax. (BO09)

The major difficulty for immigrant business tax compliance is incomplete documentation. They conduct much of their transactions in cash, which is not supported by appropriate documents. If they don't maintain documents, they supply us with loose sheets of paper. (TA05)

On the matter of incomplete documentation and cash transactions, some respondents argued that an immigrant business was a community-dependent business. For example, the staff, chef and owner in a catering business would all belong to the same community. One adverse consequence of community dependence was the need to pay the salaries of the staff and chef in cash, which complicated record-keeping. One restaurateur from Devon commented: “The restaurant business is a community business. Staff, chef and owner – everyone comes from the same community. We need to look after one another. The number of employees on paper and number of employees in practice often differs.” Therefore, cash transaction might not always mean hiding tax obligations but rather responding to community needs and reality (discussed further in Section 6.4.6). This business need was clarified with a strong argument by another business man, “Many employees will leave the firms if we don’t help them with the high tax burden. We are a minority community business. Our partners, clients, service holders are mainly from within the community. We cannot be harsh with them and take the risk of losing them. We understand there is risk involved in this, but sometimes there is no choice. We have to take risks for our survival. The tax authority should understand these obstacles we face. If the tax collection is easy, why do they leave the responsibility on us?” (BO14).

On this point, professional tax advisers elaborated that book-keeping would have been easy if there were no game-playing attitude by business owners, and in some cases by book-keepers. It was not only tax advisers but also business owners who needed to adjust records and documents. One respondent stated that, “I advise the tax adviser what to do; rather than him advising me. I maintain documents, prepare profit-and loss-accounts and tell him to re-design according to my needs and expectations,” (BO04). In the business communities, such

practices are common. One storekeeper's conversation with his accountant, reported in Morse et al.'s (2009:52) study of small business tax evasion, went as follows: "Last year I gave my accountant all recorded sales and all costs. Accountant says to me, Donald, the way you've done it, you've lost \$80,000. You can't show a loss of \$80,000, it's impossible; the I.R.S.'ll be all over you, you can't live where you live and show that." Light (2005) adds that small immigrant businesses are normally unprofitable or earn profit below the industry average.

Some others argued that record keeping would not have been a challenging task for immigrant business if the tax regulations and the requirements relating to them had not been complex. The lack of interest in keeping records properly among small ethnic businesses is well documented in international tax research. Yong (2011) finds that ethnic businesses in New Zealand fail to understand the importance of accounting information and they are more willing to pay others to keep records than to do this themselves. Similarly, Lignier (2009) comments that the Maori and some other communities of the Pacific region don't appreciate the tax compliance benefits gained by properly maintaining accounting information.

6.3.2 Frequent Changes in Tax Law

Various reasons were put forward for why tax laws changed continually and how this affected compliance decision making. The aspects of tax law changes discussed in the interview included laws relating to tax rates, rebates, requirements of tax filing return information, tax refund, and any other issues they felt important. The interview question, "In complying with income tax, which aspects of the tax laws create problems?" allowed them to discuss any legal or administrative issues having an impact on their tax compliance action. Some respondents believed that laws changed routinely because there was always a

lack of clarity and straightforwardness in tax codes. Others argued that some taxpayers and professionals played around with the law. They wanted to benefit from the grey areas of tax law, and the tax authorities had to change these to stop unlawful use. One tax adviser commented that large businesses were mainly responsible for the frequent changes in the tax law, for which small businesses suffered. On this point Bourdieu (1999, cited in Mumford, 2013:176) comments that non-compliance is practised by separating the “intent” of the law from its “content”, and it is the latter that is adhered to as strictly as possible. Bourdieu suggests that the violent history of taxation greatly threatens the stability of modern day tax systems.

Another respondent added that it was not that HMRC had got into the habit of changing the tax system; it was rather that business and economic circumstances were changing every day, along with improvements in business transactions and recording technology. As a result, it was difficult to deal with taxpayers’ information unless tax legislation was overhauled.

For immigrant businesses, it is difficult to follow changes in the tax law, which leads them to depend on tax advisers. Some respondents argued that it was the tax advisers’ responsibility to keep them aware of changes. One respondent commented, “Another problem is that tax law is always changing and we are faced with serious uncertainty. In fact, as far as the tax laws are concerned, we are living in an unknown world. I feel it more than any other taxpayers because I am not solely dependent on my tax accountant,” (BO05). On the other hand, tax advisers commented that not only taxpayers, but also many tax advisers lagged behind changes in the tax laws. He stated that in the past, mistakes requiring a refund from HMRC could be corrected at any time. Then, in 2009, this rule was

changed, and mistakes had to be corrected in four years later this was further changed to three years; and now it was one year. He elaborated on the compliance difficulties caused by a recent change in tax requirements:

The frequent changes made by HMRC have made it very difficult even for accountants to keep up with legislation. I would say that the new RTI requirement (Real Time Information, the reporting aspect of the payroll function whereby employers need to report to HMRC each time they pay their employees) has placed an extra administrative burden on employers. Whereas in the past we used to submit a P35 at the end of a submission, now the administrative requirement is a burden to small businesses. (TA03)

Some respondents contended that changing tax law was the outcome of political compromise between the communities. Governments came to power with a commitment to change. They changed public services to make citizens happy. So, the budget must be cut and adjusted according to their commitments. When there was a change in the economic planning of government, tax law must be changed to raise tax money. This observation went with the political perspective on tax compliance behaviour discussed in Section 3.4.2. Others believed that, “The British people like to change the tax system every year. Not only the tax system: they change almost everything. Especially when there is a new government they must change the tax codes. Taxation is one of the voting cards to entice taxpayers,” (Tax Adviser, TA02).

However, a professional tax adviser (TA07) believed that it was not how often the tax legislation changed but rather how often one applied the law. A tax adviser practised the law every day, which made it easy for him to follow and apply the changes. But taxpayers used the legislation once a year, or even less, which made it difficult to follow the changes. For the immigrant community small

businesses, given their low tax and accounting skills, keeping track of legislative changes was even harder – or impossible. Boll's (2012) ethnographic study of tax compliance suggests that tax law is something that most taxpayers don't know in detail. Perhaps this is even more the case for immigrant businesses, which have no basic idea of, or interest in knowing, the laws or their changes. Moreover, HMRC has changed the tax system from a manual to an online system, which ethnic taxpayers are not used to. The above tax adviser added that a major reason for frequent changes in the UK tax system was its administrative decentralization; the tax office was managed and administered from different regions of the country, which were different in terms of their managerial and efficiency level.

6.3.3 Determination of Taxable Income

What taxable income is, and how it is to be computed, is a difficult concept for immigrant businesses. Analysis of the interviews suggested that when their tax returns were placed before business owners, the first question they asked of their tax advisers was about total taxable income. They always questioned how it was derived and how it could be reduced. In a self-assessment tax system, such as the UK's, the majority of immigrant taxpayers are usually careful and concerned to make their income tax payments. But they don't have proper knowledge of what can be claimed as deductible expenses, in addition to not having proper record-keeping or cash flow management skills.

In explaining the potential difficulties, some respondents stated that in a business there were hundreds of transactions over a year and sorting a tax admissible expense from an inadmissible one was challenging. Only a handful of Bangladeshi immigrant business owners had any idea about what was a "family

or personal expense” and what was a “business expense”, as one respondent observed (Tax Adviser, TA12). Immigrant family business owners believed that business was family and family was business, which mixed up business expenses with personal and family expenses, as this tax adviser explained. In his *The Social Structure of the Economy*, Bourdieu (2005) argues that business is business, and this economic logic must be extended to the family members of a business organization. His analysis of the association between the overlapping economic interest of family and family business provides some explanations for why family expenses are mixed up with business expenses by immigrant businesses.

Another tax adviser (TA08) noted, “Some ethnic business owners provide household consumer receipts, food receipts, to make them allowable. We say to them that these are your personal expenses. They even include their clothing expenses in the claim.” This observation was supported by other respondents, who also raised other difficulties in taxable income determination for Bangladeshi ethnic businesses.

What they don't know is which are partly and which are fully allowable expenses for tax purposes. They mix up business and personal allowances. They (Bangladeshi businesses) don't show the income they have back home, lest they are charged with higher tax burden. (Tax Adviser, TA04)

For most Bangladeshi small businesses, it's a question of whether the rent they pay for houses, which is absolutely used for residential purpose, is a deductible expense. Often, they are confused whether to report income on an arising or a remittance basis. There are many Bangladeshis who spend months at a time in Bangladesh, leaving their businesses to their children. Taxable income will be different according to whether they declare income on an arising or a remittance basis. (Tax Adviser, TA07)

Some other respondents stated that what was more complicated for them to understand was capital gains tax and capital allowances. Many business owners didn't know what a personal allowance was, or how to calculate or deduct it. They also didn't understand the income tax threshold or the tax-free personal allowance. When they learned that part of their total income was not taxable, they were happy. Respondents observed that family ownership of a business created great scope for complexity in taxable income determination. For example, when a property was being used for both residential and business purposes, it was very difficult to apportion the expenses between business and family. In the cases of family businesses, a basic trend was to split income over different tax files among family members, which might or might not be illegal, and might take the form of tax evasion, thus further complicating the determination of taxable income. A small business owner observed:

It is not surprising that a very wealthy business man in the Bangladeshi community says that he does not have any income or property, because all his incomes are transferred into the names of family members having no income or no taxable income. Wives are made directors in the business only for tax purposes. Just to split the income. (BO02)

Some respondents argued that with family ownership, the nature of business and how transactions were represented had much to do with the complexity of taxable income determination. For example, in an online based business, it might be easier to estimate sales as transactions to be recorded; but where transactions were predominantly cash-based, hiding turnover was easy. Hiding cash, however, was a pure case of tax evasion rather than a problem of taxable income determination.

In the opinion of others, the problem of income estimation lay elsewhere. The possibility of a high tax demand and assessment of business income, when

businesses were audited or inspected by the tax authorities, encouraged many business owners to report lower income at the return filing stage. One respondent expressed disappointment that HMRC thought that business income would always go higher, and could never fall. This respondent pointed out: “To be very frank, accounting skills are severely lacking among HMRC accountants. They always enhance income. I went to the tribunal and challenged the inspectors about the estimation made of my client’s income. They make wild assessments of the firm’s income.” In the same way, a London-based restaurant owner, with considerable disappointment, complained that the tax authority caught him because his income had dropped a little from the previous year. “What they don’t understand is that income may fall. Why should one always have an increasing income?” (BO08)

6.3.4 Calculation of Tax Liabilities

To some interviewees, of all the tax compliance problems, applying the appropriate tax rate and calculating the tax burden was the toughest, particularly to those who did not just leave this to a tax adviser. In the interviews, seven respondents stated that they had an adviser to share ideas with; but in the end, they liked to file their tax return themselves.

Once the tax return was prepared, small businesses routinely asked to their advisers why the tax rate was so high and how this was calculated. Most immigrant businesses’ first reaction to calculated tax was that this was not their tax bill, as one tax adviser commented. One reason for this was financial illiteracy and an inability to differentiate between accounting profit and tax profit. On this point, one tax adviser (TA01) had this to say: “The profit determined based on financial accounting and the profit based on tax accounting are different. They

think that the accounting profit was low and has now been made higher after the capital allowances are considered. They don't understand the effect of such allowances." This echoed the observation made by a fellow tax adviser, "When we produce the accounts they want to see the profit figures. As businessmen, they have some idea of how much the profit could be. If our calculation matches theirs, they approve it," (Tax Adviser, TA09).

For small business owners with employees, the next thing that complicates tax calculation is the payroll tax and national insurance contributions for their employees. To them it is unnecessarily burdensome and difficult to understand. A London-based small business owner stated, "Collecting PAYE is sometimes hard because the tax rates become high when you adjust for NICs. NICs are around 12% and the basic tax rate is 20%, which makes the tax burden 32%. This is very high. Many employees will leave our firms if we don't help them with the high tax burden," (BO14). This comment suggested that Bangladeshi ethnic businesses, particularly in the catering industry, created more of an ethnic-control economy than an ethnic-ownership economy. Light (2005) comments that if a business sector is controlled more by its employees than by its owners, it is better defined as an ethnic-control economy than an ethnic-ownership economy. Immigrant business owners think that there should be a flat tax rate or lump-sum taxes for small businesses. Even PAYE should be withdrawn for small businesses because of the tax compliance cost it imposes on them (Hasseldine, 1995). Morse et al. (2009:38) argue that small businesses not only carry out huge cash transactions and underpay taxes but also "underpay social security and other payroll and self-employment taxes." They find that in the US sole proprietors use unreported cash income to pay unreported wages to employees or pay their own unreported self-employment income. One of the reasons that ethnic

employers help their employees with unreported wages is because the “employer’s firm only exists because it pays low wages”, as Light (2005) argues.

In support of this statement, another businessman commented that, due to high tax rates, he could not keep workers, which was an exclusively tax induced problem for the Bangladeshi business community. In interpreting this community aspect of developing perceptions about tax rates and calculations, a tax adviser commented that Bangladeshi small businesses always compared the basic tax rate of the UK, i.e., 20% to that of Bangladesh, i.e., 10%. This comparison gave them a sense of a high tax burden in their mind and they began questioning tax calculations. The following comments are noteworthy:

The comparatively higher tax rate in the UK tax system than that of Bangladesh indirectly complicates their tax calculations. We have that legacy and mind-set. The first generation British Bangladeshi was affected by this attitude; the second generation is being affected by the first generation. There has been an infiltration of cultural belief about tax payment. (TA01)

To be in a low tax band, they even register or buy property in the name of others here in the UK or in Bangladesh. We live in this country, but our mind remains in Bangladesh. We have the same habits and practice as in Bangladesh. We want, when we retire, to return to Bangladesh. So, part of the income must be saved to take to Bangladesh. (TA04)

These observations however were not acceptable to another businessman, who argued that UK tax rates and NICs were reasonable considering the strong social welfare system of the country. He commented, “How can the government run the welfare system if you don’t pay them the money? Tax is being used to fund welfare benefits,” (BO05). This indicated that it was very important to motivate immigrant communities to be aware of their tax liabilities and dispel confusion.

One tax adviser stated that to motivate confused taxpayers, he drew pictures on paper and demonstrated the various aspects of tax calculation. Although it was difficult to understand the calculation process, 90% of his customers agreed to the taxes calculated and paid them.

6.3.5 Tax Filing Procedure

Only a handful of respondents stated that the tax filing procedure was often a problem. By tax filing procedure, they meant the ways a return was prepared and filed, and the way subsequent disagreements with the tax authorities were managed. Most family businesses got their return prepared and filed by tax advisers. Thus, they did not have much trouble in filing returns. Online submission made filing even easier; but many respondents said that they shared their online password with their accountants so that the latter could submit their return. When asked why he didn't do the online submission himself, a respondent said that he felt it was safer if it was done by his adviser. Others said that they didn't have the technical knowledge to deal with the online filing system. Moreover, errors in submission might cause further trouble with tax compliance. At the other extreme, a tax adviser commented that filing a tax return was the taxpayer's obligation, not that of the tax adviser. There were examples of tax advisory firms not filing the return within the deadline and the taxpayer being penalized for late submission.

On the matter of whether they sought advice from HMRC or a tax clinic on any aspect of return filing, a business owner complained that it took him long hours to get connected with the HMRC tax advice centre. Besides, the quality of service was not adequate or was often confusing. He commented that, "Sometimes I phone HMRC. They are the gentlest and the deadliest people. If you are honest, there is no problem. But if you are wrong, and that is a wilful, you cannot escape,"

(BO08). This respondent indicated that tax help was usually needed more when there was a tax dispute. But the experience of the respondents in dealing with tax audit cases with HMRC had not been good. The above-mentioned respondent continued, "I had a Hansard enquiry into my business when I sought help from HMRC, because at that time I had no tax adviser. But I did not get any help. Later I managed to engage a Cambridge graduate tax lawyer at a high fee. When he took up the case, the litigation was solved." Similar experiences were shared by others. An Edinburgh based businessman gave the following account:

The tax inspectors usually don't accept our views. They claimed that my business expenses were high, but I did not disclose them because that would have increased my income. Based on this assumption, they increased my tax bill. In fact, in my restaurant, my friends and I passed time at night, after all guests had gone, and while we were there we ate and drank. The tax inspector on that ground added an additional sale of £60,000. I was surprised at this. Then after a lengthy battle, the inspector reduced the additional sales to £3,000. I was still dissatisfied with this and challenged the estimate, but the inspector requested me to accept this increase. When I accepted this, they brought up a new issue. They charged me with an additional VAT payment of £10, 000. I reacted and asked them to rectify the VAT bills. Every time I sent them a letter and explanation, they did not reply. They just kept on sending me the same letters with their raised tax demands. Finally, they issued me with a letter saying they would go to court if I didn't pay the VAT bill. Finding no option, I called the helpline and described my position. Hearing me out, they asked me to send all the documents I had about this case. I faxed the documents to them and was expecting a favourable response. But nothing happened. After six months, a letter came from the local office saying that I should pay the extra taxes and VAT, because I was supposed to submit all the documents by 30 April, which I had not. I wrote to them again saying that I needed to talk to their high officials. It's been six months, but I have not heard anything from them. This is mental harassment I am going through.

(BO03)

This quote is an example of the ongoing mistrust between the taxpayers and tax administration which creates confusion and disputes between them. The tax liability determined by the local tax officers are often unfair and there is little or no help in resolving them from the higher tax administration. Observations about the exorbitant tax and VAT demands and the mental harassment undergone because of this is a clear evidence of the misunderstanding and nonconfidence on the tax system.

Discussion with the respondents indicated that having a helpline or tax clinic was to them a mere formality that did not provide meaningful support. For Bangladeshi immigrant businesses whose first language was not English, seeking advice through a helpline was more difficult. Even if one has an effective communication skill in a language, it is far more difficult to grasp legal language. However, some respondents suggested that HMRC inspectors were helpful and understandable. They argued that if someone was innocent and made a mistake, tax inspectors would share their knowledge and guide them. This observation is supported by Currie et al. (2016), who illustrate that the role of tax inspectors in the UK is changing from traditional regulator to that of being an enabler and customer focused manager, particularly with respect to big businesses. A tax adviser stated, "The question is, do you really want to pay your taxes? HMRC is sitting there to help. They will talk to you for hours and advise you about whatever you need. They will appreciate you," (Tax Adviser, TA09). In addition to the above five aspects of tax law, a miscellaneous option was there in the survey questionnaire. However, no respondent picked that option.

6.4 Immigrant Businesses and Tax System Complexity

Tax system complexity or tax complexity, the two are used interchangeably (Slemrod, 1996; Chau and Leung, 2009), is one of the key factors in developing taxpayers' attitudes to tax compliance (Fisher et al., 1992; Torgler, 2007). It is one of the non-economic causes of reduced tax morale and higher tax compliance cost (Katz and Bommarito, 2014; Torgler, 2007), and it affects tax compliance actions severely (Richardson, 2006; Tsakumis et al., 2007). Tax complexity may affect the reporting and disclosure behaviours of taxpayers (Hasseldine, 2015) and create problems in identifying taxable income and exemptions (as discussed in Section 3.3).

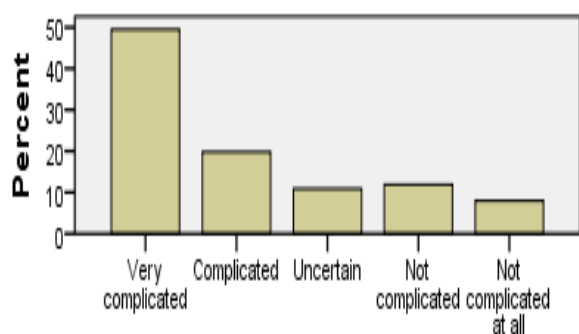
This section examines what tax system complexity means to immigrant businesses, why it occurs and why it matters for their tax compliance using the survey data regarding taxpayers perception of tax complexity and access to different forms of capital. In discussing this, the section is divided into two parts. First, it investigates whether immigrant businesses perceive the tax system as complex or not. Second, it attempts to explain their perceptions of tax system complexity from their socio-economic and cultural perspective. Vryonides (2009) studied the educational choices made by Greek and Cypriot children in relation to their parent's possession of cultural and social capital. Referring to Bourdieu, Vryonides (2009: 130) argues, "Families inherit different social positions and unequal amounts of capital some are relatively better equipped, better placed and more informed to make successful choices." Bourdieu (1984) contends that social network and upbringing shapes one's meaning-making and perception-development processes (Bourdieu, 1984). Therefore, it is vitally important to look at the tax complexity perceptions of immigrant businesses from their cultural and social position to improve understanding of their attitude to tax compliance.

6.4.1 Perception of Tax System Complexity in Immigrant Businesses

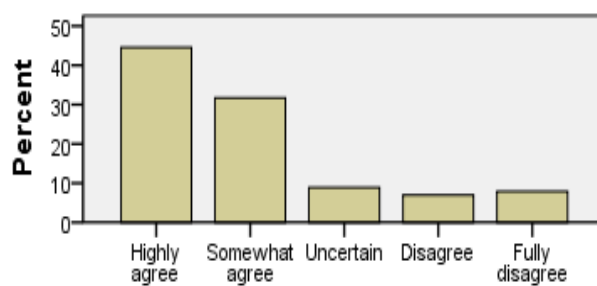
To assess the attitudes towards tax system complexity of immigrant businesses, three questions were asked, each of which captured various aspects of complexity: “In your opinion, how complicated is the UK tax system”; “How difficult is it for you to deal with the tax system of the UK?”; and “To what extent do you agree that you seek tax advice due to uncertainty about income tax regulations?” Each of the questions asked for answers on a five-point Likert-type scale. The first survey question attempted to measure “complicatedness”, the second question measured, “difficulty” and the third question, “uncertainty” – all the three aspects measuring “tax system complexity”. Relevance and justification for selecting each of these survey questions and support from the tax compliance literature has been discussed in Table 5.3.

Table 6. 2 Thematic grouping of survey questions on tax system complexity with descriptive statistics, N=101

Concepts	Items	Frequency	Percent	Mean	S. D.
Tax system complicatedness	very complicated	50	49.5	2.09	1.342
	complicated	20	19.8		
	uncertain	11	10.9		
	not complicated	12	11.9		
	not complicated at all	8	7.9		
Tax system difficulty	very difficult	51	50.5	2.02	1.288
	difficult	22	21.8		
	uncertain	9	8.9		
	not difficult	13	12.9		
	not difficult at al	6	5.9		
Tax system uncertainty	highly agree	45	44.6	2.20	1.241
	somewhat agree	32	31.7		
	uncertain	9	8.9		
	disagree	7	6.9		
	fully disagree	8	7.9		



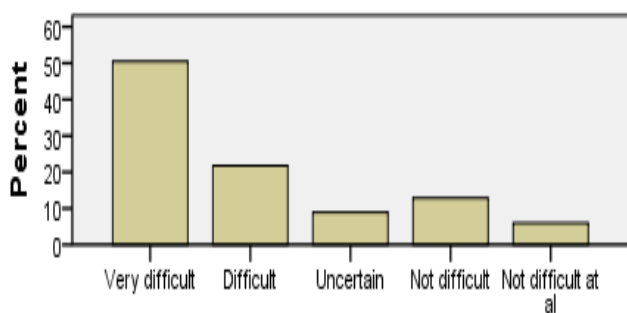
How complicated is the tax system



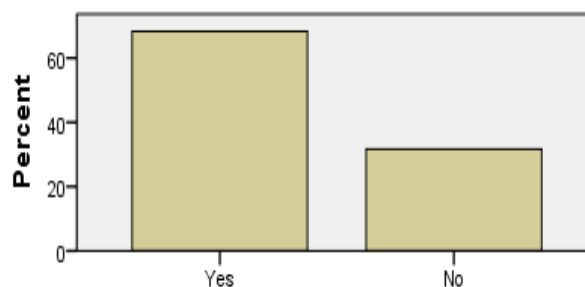
Uncertain tax regulations

Bar Chart 6. 4 Respondents' perception of tax system complicatedness (left)

Bar Chart 6. 5 Respondents' perception of uncertain tax regulations (right)



How difficult is tax law



Income tax laws ambiguous

Bar Chart 6. 6 Respondents' perception of tax system difficulty (left)

Bar Chart 6. 7 Respondents' perception of tax law ambiguity (right)

According to Table 6.2, the mean responses for tax system complicatedness was 2.09, that for tax system difficulty 2.02, and that for uncertain tax regulations was 2.20, suggesting that Bangladeshi immigrant businesses generally believed that the UK tax system was complex for them. The frequency distribution and the Bar Chart 6.4 show that nearly 50% of the respondents perceived that the UK tax system was “very complicated” for them. Of the remaining 50% of respondents, 19.8% thought that the tax system was “complicated”, 10.9% thought it was “not

complicated” and a marginal 7.9% believed it was “not complicated at all”. Around 10% of respondents were uncertain whether they thought the tax system was complicated or not. With respect to tax system difficulty and uncertainty about tax regulations, respondents had a similar view. For example, 50.5% perceived that the tax system was “very difficult” for them to deal with, and 44.6% “strongly agreed” that tax regulations were uncertain. In addition to the three thematic questions on tax complexity, another question – “Do you feel that the income tax laws related to your business are ambiguous?” – was asked with the binary answer choice Yes-No. This question was asked to compare whether answers made to the thematic questions agreed with those made to this single item question – a way of checking internal consistency. The frequency distribution and the Bar Chart 6.7 show that 70% of respondents said that the income tax laws were ambiguous or unclear to them.

The question that may arise here is what knowledge the respondents had about the tax system based on which they expressed the opinions. To assess their knowledge about the UK tax system several questions were asked in the survey and semi-structured interviews. The survey questions like “who do you consult when you have an income-tax-related problem?” (Q.08), “which aspect of UK income tax law causes most problems for your business?” (Q.21) “for which of the following reasons do you go to a tax adviser? (Q. 22) reflect their access and knowledge about the tax system. Further, specific questions asked in the interviews, “what are your views about the UK tax system?”, “what are some of the issues of the UK tax system that influence your income tax compliance?”, “in complying with income tax, which aspects of the tax laws create problems? Why do you think that ----- is a problem and complicates your tax payment decisions?”, “” and “do you have any ideas about what may be the consequences of not paying

income tax?” were asked to further understand their knowledge about the UK tax system. When a respondent stated that the tax system was complicated to them or not, they made the answer based on the knowledge and perception they developed throughout their interaction with the tax adviser, tax authority and other stakeholders in the tax system. This study was aimed at measuring their perception about tax compliance and tax system, as set out in section 1.3 and ideas of their tax knowledge helped in understanding the comments they made in the interviews. However, making an assessment of their tax knowledge was not an objective of this study. The next sections of this chapter will attempt to show how the “resource” and “stakes” Bangladeshi immigrants possess might have influenced their perception of the tax system.

6.4.2 Cultural Capital and Its Importance in Shaping Perception of Tax Complexity and Compliance

People’s cultural background impinges on their perception of social reality. Looking at people’s way of life, choice-making and social actions using Bourdieu’s capitals is not new (see Wallace, 2016; Burke, 2016; Vryonides, 2009). Burke (2016) used Bourdieu’s cultural capital, along with social and economic capital, to understand respondents’ life history, while Wallace (2016) used black cultural capital to understand race and racialization. However, the significance of culture has largely been overlooked in tax compliance research, other than in cross-cultural tax research (Yong, 2011). In Bourdieu’s philosophy, the cultural status of an individual, what he terms “cultural capital”, influences his actions and interpretation of world phenomena. In Sections 3.13 and 4.3.2, we discussed how Bourdieu’s concept of cultural capital might influence people’s behaviour, expectations and preferences.

Cultural status was mentioned as a crucial factor for respondents' accomplishment of tax compliance actions. There were business owners and tax advisers who strongly believed that being loyal to state obligations was a part of cultural norms. They claimed that the Bangladeshi culture valued loyalty and contentment over all other things, which made them responsible and responsive to state obligations. One respondent stated, "As a Bangladeshi person, I am content with what I have, and that's part of my culture. To pay no taxes is cheating. We Bangladeshis are loyal, and our religious values do not even permit taking interest from banks," (BO07). By referring to the refusal to take bank interest, the respondent meant that anything illegal or unlawful, either in the eyes of his religion or those of the law of the land, should not be pursued. By mentioning the bank interest example, he might have been indicating that if he could forgo interest income, why would he not be able to part with some of his income for income tax purposes. This observation makes some sense when we consider that McGee (2008) finds that Bangladeshis have the highest tax ethics among 13 Asian countries; although other studies have had different findings (Torgler, 2004; Siddiki, 2014; Pan-Suk et al., 2013).

This view was however questioned by a professional tax adviser, who argued that one of the reasons that they were loyal was because they didn't have the skills to understand accounting and tax problems. They, perhaps, would have behaved differently if they knew all the loopholes in the tax system. A fellow tax adviser had the same perception about Bangladeshi immigrant businesses. He believed that the tax culture or tax attitude a person carried with him when he migrated to a new country impacted on compliance behaviours in the country of settlement. He commented that complexity in the tax system would be greatly reduced if people's mind-set in relation to tax payment changed positively. The

following comments, one by a tax adviser and the other two by business owners, elaborated the debate:

The Bangladeshi small business carries the legacy of Bangladeshi tax culture directly or indirectly. As you know, in Bangladesh, tax evasion is pervasive. Most Bangladeshi small businesses come to us with the question – how can I end up paying minimum tax or no tax? To address this question, we need to look at the laws that can help them pay less tax. Maybe Bangladeshi small businesses carry the same cultural legacy of tax practice from Bangladesh? (Tax Adviser, TA06)

Community, culture, language is not a problem. I have an ambition. I want to earn money. Particularly, I need to send money to Bangladesh, not just me but almost all Bangladeshis. I don't think that our educational level impacts much. We as a nation have a good education, but very frustratingly it is not valued and respected here in UK society. The things that make tax compliance decisions complicated are maths and accounting phobias. Most people don't understand accounting. English language or any language is not difficult. (BO11)

I am coming from a culturally backward society and trying to cope with a fast-moving tax system. We Bangladeshi people are at a remove from the mainstream community. We may educate ourselves about the tax system, but the cultural differences don't disappear merely through education. For this cultural reason, we always have a tendency to return home or to develop an establishment in Bangladesh. Otherwise I feel uprooted. The cultural gap also deepens my attitude to hoarding my income rather than parting with it. (BO12)

The resentment expressed by the business owner quoted above (BO11) that his education was not valued in the UK points to Bourdieu's (1993) proposition that in an unfamiliar field, it is the dominant culture that enjoys the power to define the value of minority culture (Oliver and O'Reilly, 2010). In this case, the value of educational qualifications, styles and habits, and of their knowledge of

Bangladeshi businesses, are determined by British society. The migrant British worker's experience of Spanish society reflects this reality, as Oliver and O'Reilly (2010:54) point out: "Members of the British community, for example, spurn the need for bureaucracy or for official recognition of credentials and qualifications... extolling the virtues of a regulation-free Spain: 'Chris, for example, he has no papers, no qualifications, but he is a brilliant electrician, and here he has got loads of work.'"

In this debate, one respondent emphatically contended that Bangladeshi immigrant businesses might lack knowledge and education, but they had the right attitude to paying tax. Respondents stated that paying tax required specialized and technical knowledge and had nothing to do with cultural values. Even tax professionals didn't know all the laws and made mistakes because of the complex tax legislation. This respondent, however, admitted that one of the consequences of poor educational qualifications was that ethnic communities could not apply their mind to tax and wanted a quick-fix to any tax problems. Moreover, people felt more uncomfortable with complexity because they could not read the basic laws and maintain business records.

Similar explanations were given by other respondents, who pointed out that the cultural background of immigrants, their educational qualification and religious faith, seemed not to have any impact on developing perceptions of tax compliance or complexity. To them, what mattered was how long one had been in the business and how long one had been involved with tax compliance activities. The more experienced one was in business and compliance activities, the better one was at dealing with the tax system. They thought the tax system

was naturally complex and so was tax compliance; and yet some complexities arose from Bangladeshi cultural norms and habits. One respondent observed:

Perception of tax compliance would only be different if one knew what was there in the tax law. Ninety per cent of Bangladeshi immigrant businesses do not have any idea about the income tax system of the UK. That's not even a matter of education. Because, you can educate them about the importance of tax compliance, but you cannot teach them the tax codes, or how to do the tax return line by line. (BO06)

Another problem identified by the respondents was the multiculturalism of UK society, where different groups of people had different norms and habits of record-keeping, business management and tax decision making. The UK tax system did not consider these diverse ethnic facts when they formulated tax codes. The respondent argued:

Culturally all ethnic communities in the UK, whether from Iran or Brazil, are similar as far as tax compliance is concerned. It's not cultural backwardness, it's having a new system. One reason that the UK tax system is complex is because of its massive multiculturalism. People from diverse cultures and habits live in this country. You cannot address the tax issues and behavioural practices of taxpayers of all cultures in a country like this. What you think fits with one culture may conflict with another. (TA07)

In between these two extreme arguments, some respondents believed that the role of culture in tax payment was inconclusive. This was because in all cultures there were people who were tax non-compliant to some extent, of whom some were highly educated. But at the same time, cultures with good education systems were generally more tax compliant than cultures with poor education ones, as he commented. Some cultures did not value education as an essential factor, at least not higher education. People coming from a backward culture had

to fight for their economic viability, which did not permit their children to pursue higher studies. They could not spend a huge amount of money on academic excellence. As a result, in communication, language and legal matters, they always lagged behind the educated classes. Light (2005) notes that language skills and unaccredited human capital are major obstacles for ethnic communities. This problem remains with Bangladeshi people, as these respondents observed. This argument matches Bourdieu's conception of working-class children, who are trapped in the social status quo – who go to local authority schools or free schools, whereas the elite go to private schools (Light, 2010). Bourdieu (1984) argues that educational qualification is a determining factor for the cultural capital and social class of an individual. His analysis of French social classes during the 1960s in *La Distinction*, provides compelling evidence of how education, social class and cultural practices are related and how education reproduces social inequality.

Although respondents had different opinions about the role of culture in developing attitudes to tax, they unanimously agreed that Bangladeshi immigrants lacked proper education, language and communication skills – the inevitable elements of Bourdieu's cultural capital. This suggests the need to have an account of the cultural capital of Bangladeshi immigrant businesses in the UK.

6.4.3 Volume of Cultural Capital in the Bangladeshi Business Community

Using Bourdieu's criteria, the Bangladeshi business community's cultural capital, or their access to cultural resources, was measured based on their self-reported achievement in, or involvement with, education, music and other aspects of culture. Measuring cultural capital with these elements was grounded in the literature, as summarized in Table 5.3. DiMaggio (1982) is one of the leading

researchers after Bourdieu (Robson, 2009) to use musical taste, visiting art galleries and attendance at symphony concerts to measure cultural capital among school students. In this study, three thematic questions were asked in the survey to measure the cultural capital of the respondents: “What academic qualification do you hold?”; “Which of the following types of music do you like to listen most?”; and “Which of these places or events do you like to visit most?” Each of the questions were asked on multiple categorical choices.

Table 6. 3 Thematic groups of survey questions on cultural capital with descriptive statistics

N=101

Concepts	Items	Frequency	Percent	Mean	S. D.
Educational qualification	UK school certificate	7	6.9	3.61	1.456
	UK undergraduate	24	23.8		
	UK master’s	9	8.9		
	Bangladeshi school certificate	32	31.7		
	Bangladeshi undergraduate	19	18.8		
	Bangladeshi master’s	20	9.9		
	Taste for music	Bangladeshi	66		
Hindi		12	11.9		
English		8	7.9		
Other		15	14.9		
Cultural participation	Museum	8	7.9	3.95	1.352
	Art gallery	11	10.9		
	Concert	13	12.9		
	Cinema	15	14.9		
	Community festivals/fairs	54	53.5		

According to Table 6.3, the majority of the respondents (60.4%) were educated in Bangladesh and 39.6 % of them were educated in the UK. Those who achieved an educational qualification in Bangladesh mostly had a school certificate

(31.7%), and those who achieved an academic qualification in the UK mainly had an undergraduate degree (23.8%). In terms of taste for music, only 7.9% listened to English music, while the rest of the respondents listened to Bangladeshi (65.3%) or Indian music. In terms of cultural participation, from five possible choices, more than half (53.5%) indicated that they preferred attending community cultural festivals to visiting a museum or art gallery.

There is no established cultural index which could be used to compare and show Bangladeshi businesses' position in UK society in terms of the cultural resources they enjoyed. Sanders et al. (2014), based on the Ethnic Minority British Election Study, suggest that Bangladeshis have the lowest educational levels in the UK, whereas Africans have the highest.

However, based on these three scales, it could be argued that Bangladeshi cultural capital is community centred: educational degrees were mostly earned in Bangladesh; and there was an inclination towards Bangladeshi music and Bangladeshi community festivals. These findings were in line with Bourdieu's argument that ownership of cultural capital, to some extent, is related to "resources of the family of origin" (Robson, 2009:113). Applying Bourdieu's concept of cultural capital, Alina (2011) finds that immigrants' educational qualification and access to cultural resources in Germany are much lower than that of the native Germans, particularly in secondary and upper level education. In interpreting this, Bourdieu (1999, cited in Wallace 2016) contends that the power arrangement of the social field in which an ethnic community operates can limit the conversion of cultural capital. How much value the cultural capital of Bangladeshis will generate in the UK depends on how they position themselves in the British social hierarchy.

Table 6. 4 Immigrant business owners' perception of tax system complicatedness according to their ownership of cultural capital

How complicated is the UK tax system		UK educated	BD educated	BD music	Non-BD music	Within community	Beyond community
complicated	Count	27	43	44	26	37	33
	% within row	38.6%	61.4%	62.9%	37.1%	52.9%	47.1%
	% within column	67.5%	70.5%	66.7%	74.3%	68.5%	70.2%
uncertain	Count	5	6	8	3	5	6
	% within row	45.5%	54.5%	72.7%	27.3%	45.5%	54.5%
	% within column	12.5%	9.8%	12.1%	8.6%	9.3%	12.8%
not complicated	Count	8	12	14	6	12	8
	% within row	40.0%	60.0%	70.0%	30.0%	60.0%	40.0%
	% within column	20.0%	19.7%	21.2%	17.1%	22.2%	17.0%
Total	Count	40	61	66	35	54	47
	% within row	39.6%	60.4%	65.3%	34.7%	53.5%	46.5%
	% within column	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Notes: % within row indicates perceptions of tax system complicatedness; % within column indicates aspects of cultural capital.

Table 6. 5 Immigrant business owners' perception of tax system difficulty according to their ownership of cultural capital

How difficult is the tax system		UK educated	BD educated	BD music	Non-BD music	Within community	Beyond community
Difficult	Count	33	40	46	27	38	35
	% within row	45.2%	54.8%	63.0%	37.0%	52.1%	47.9%
	% within column	82.5%	65.6%	69.7%	77.1%	70.4%	74.5%
uncertain	Count	2	7	6	3	4	5
	% within row	22.2%	77.8%	66.7%	33.3%	44.4%	55.6%
	% within column	5.0%	11.5%	9.1%	8.6%	7.4%	10.6%
not difficult	Count	5	14	14	5	12	7
	% within row	26.3%	73.7%	73.7%	26.3%	63.2%	36.8%
	% within column	12.5%	23.0%	21.2%	14.3%	22.2%	14.9%
Total	Count	40	61	66	35	54	47
	% within row	39.6%	60.4%	65.3%	34.7%	53.5%	46.5%
	% within column	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Notes: % within row indicates perceptions of tax system difficulty; % within column indicates aspects of cultural capital.

Table 6. 6 Immigrant business owners' perception of uncertain tax regulations according to their ownership of cultural capital

Uncertain tax regulations		UK educated	BD educated	BD music	Non-BD music	Within community	Beyond community
agree	Count	31	46	50	27	39	38
	% within row	40.3%	59.7%	64.9%	35.1%	50.6%	49.4%
	% within column	77.5%	75.4%	75.8%	77.1%	72.2%	80.9%
uncertain	Count	2	7	7	2	6	3
	% within row	22.2%	77.8%	77.8%	22.2%	66.7%	33.3%
	% within column	5.0%	11.5%	10.6%	5.7%	11.1%	6.4%
disagree	Count	7	8	9	6	9	6
	% within row	46.7%	53.3%	60.0%	40.0%	60.0%	40.0%
	% within column	17.5%	13.1%	13.6%	17.1%	16.7%	12.8%
Total	Count	40	61	66	35	54	47
	% within row	39.6%	60.4%	65.3%	34.7%	53.5%	46.5%
	% within column	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Notes: % within row indicates perceptions of uncertain tax regulation; % within column indicates aspects of cultural capital.

Careful examination of the cultural resources enjoyed by immigrant businesses and their perceptions of tax system complexity, as reported in Table 6.4, shows that, of those who perceived the UK tax system complicated, 61.4% were educated in Bangladesh, as opposed to 38.6% who were educated in the UK. Perception of tax system complicatedness was also higher among those respondents who preferred Bangladeshi music over other musical choices (62.9%) and those who participated in Bangladeshi cultural activities rather than those of other communities. Of those who were uncertain whether the tax system was complicated, the majority had a Bangladeshi education, Bangladeshi musical preferences and participated in Bangladeshi community festivals only.

Similarly, as reported in Table 6.5, of the respondents who viewed the UK tax system as difficult, 54.8% had earned their academic qualification in Bangladesh, as opposed to 45.2% in the UK. Respondents who liked Bangladeshi music and participating in the cultural activities of Bangladeshi communities felt the tax system to be more difficult than those who liked non-Bangladeshi music or participated in the cultural activities of communities other than their own. Individuals who were uncertain whether the UK tax system was difficult had the same cultural traits, i.e., Bangladeshi education or a preference for Bangladeshi music. Finally, respondents who agreed that the tax regulations in the UK were uncertain had a Bangladeshi academic degree, Bangladeshi musical tastes or Bangladeshi community involvement, as reported in Table 6.6. The results of chi-square tests of independence showed that there was a statically significant relationship between taxpayers' educational qualifications and perceptions of tax system complicatedness ($\chi^2= 1.190$, $DF= 2$, $p = 0.049$), perceptions of tax system difficulty ($\chi^2= 3.497$, $DF= 2$, $p = 0.031$) and perceptions of uncertain tax regulations ($\chi^2= 1.463$, $DF= 2$, $p = 0.029$). Musical preference and participation in cultural activities were not found statistically significant.

One of the explanations for higher levels of complexity perception among people with Bangladeshi cultural resources might be the language barrier and minimal years of schooling, because the majority of these people had a school certificate from their country of birth, which was not so useful in the UK. Rothengatter (2005) argues that immigrants who receive education and training in their country of settlement can quickly de-ethnicize themselves and can achieve greater exposure to the mainstream culture, which has significant implications for their internalization of the tax system and their position on tax compliance. However, this does not happen to any great extent among the Bangladeshi community. The

British Bangladeshi community, including British-born Bangladeshis, believe that learning Bengali is very important if they are to maintain their Bangladeshi heritage and cultural roots (Blackledge, 2011). To Bangladeshis, “Knowledge of the national language carries the features of the Bangladeshi/Bengali heritage,” which echoes Bourdieu’s view that “Heritage is reproduced through class and education,” (cited in Blackledge, 2011: 133).

The answer to the question of why a segment of people who drew on Bangladeshi cultural resources felt that the tax system was not complicated or difficult might be that they had high social or economic resources. In his *Forms of Capital*, Bourdieu (1986) clearly mentions that cultural capital does not function in isolation but through a complex web of interaction with, at least, two other forms of capital: social and economic. Oliver and O’Reilly (2010:50), referring to Bourdieu, comment that, “The structure of social space cannot be understood through economic position or culture alone.” The next section looks at the social resources of the respondents.

6.4.4 Social Capital and its Importance in Shaping Perception of Tax Complexity and Compliance

The class background of immigrants is different from that of natives (Alina, 2011; Franceschelli, 2013). Immigrants are alienated from the mainstream community and are often discriminated against when trying to access institutional support (Wang and Lo, 2000; Fix and Passel, 1994). This section focuses on the social products, resources and rewards (Vryonides, 2009) that Bangladeshi small businesses revealed they enjoyed, the way these businesses networked with the broader society, and how they carried out their tax compliance activities. Looking at the tax compliance activities of immigrant communities from the perspective of

their social background is very important in the Bourdieusian perspective, as this is one of the three forms of capital in his theory.

Analysis of interviews suggested that immigrant business owners viewed filing tax returns properly and paying due taxes in good time as a pre-condition for engaging with UK society. For tax advice, most respondents said that they went to a tax adviser from the Bangladeshi community so that they could discuss problems easily in their own language. To some people, the mosque and social gatherings like the annual Bangladeshi festival or other community festivals were the cultural places to discuss tax issues. Others took the view that involvement in political activities offered an appropriate background for such discussions. As a community, Bangladeshis like to live close to each other; but at the same time, they are divided into diverse socio-political groups based on their political beliefs and their region of origin in Bangladesh. The major Bangladeshi diaspora in the UK is from the Sylhet district of Bangladesh, and these people like to be among other Sylhetis. One respondent said, “You will see that every Bangladeshi wants to be identified by the Bangladeshi village where he was born or by the Bangladeshi political party he supports. You won’t find this among the Indian and Pakistani communities,” (BO04). Shams (2012) finds that Bangladeshi immigrants in the US are divided into various groups and maintain competing and contentious identity groups – for example, Bangladeshis, Bengali Muslims, Bengali Hindus, and so on – based on language, religion, region or political organization. Whether they are involved in political or other social organizations, they believe that to increase their sense of being included and recognized in the host society, they need to pay income tax.

However, Bangladeshis argue that social inclusion through the tax system is a two-way process. The tax system needs to be simple; but at the same time, immigrant communities should take steps to familiarize themselves with the UK tax system. One respondent commented that his children better access to, and acceptance in, UK society which, he believed, would make them better taxpayers. He stated:

I live in UK society and I would not do anything to harm it. By paying taxes and being compliant to its tax system, I am trying to set an example to my children and to others. My children have a better idea of UK society and the law of the land. I am sure they will be better taxpayers. (BO07)

However, there were respondents who felt that social isolation deprived them of formal or institutional social relationships. The cultural differences between them and mainstream British society created obstacles in accessing and engaging appropriately with the tax system. Eade et al. (2007) observe that the majority of Polish immigrants think that “whiteness” is an asset in British society, the lack of which causes racial discrimination for non-white and ethnic minorities. Non-whiteness also indicates a cultural distance from the mainstream society. Being isolated from UK society, some respondents perceived the tax system to be oppressive and to some extent exploitative of immigrant communities. One of the respondents commented, “The Bangladeshi community views the tax officers and the Revenue as ‘demons’ who are essentially out there to get people’s money or make their lives more difficult,” (Tax adviser, TA03). Respondents indicated they felt they were being dominated rather than being cooperated with when they dealt with the tax or other regulatory systems in the UK. They believed that such a feeling might have been due to ethnic identities, a feeling that was insidious and

imperceptible. A UK-born Bangladeshi small business owner had this to say to explain his perception of the tax system:

In this society, we have a feeling of “We and They” or “Us and Them”. We feel the regulatory agency of the country in a different way from the way we felt back home. First, we are in a different country; second, the tax authority is a kind of regulator and they don’t pay us much attention. We contribute to the local economy, not to integrate with mainstream society but to prove our worth in that society. By contributing to society, we rationalize our stay in this country, or show some sense of belonging to the society. We are paying taxes because there is no other way but to pay. It’s not a choice but something we are compelled to do. (BO12)

The feeling of domination as represented above is evocative of Bourdieu’s concept of symbolic violence, the invisible, unequal power relations in a society which can neither be blamed nor escaped (Oats, 2012). Ethnic minorities and “race” as a discourse are invisibly construed as a problematic norm in a white dominated society (Thatcher and Halvorsrud, 2016). Shannon and Escamilla (1999) find that due to the asymmetrical power relationship, Mexican immigrants in the United states are subjected to symbolic violence, particularly their children in schools. According to Gracia and Oats (2012) the regulatory relationship between HMRC and taxpayers is characterised by aspects of symbolic violence in its erroneous interpretation of tax affairs and failure to provide to legal guidance and clarifications.

Furthermore, the feeling of “we and they”, as described by the above respondent, is a common case among immigrant social groups (Anderson, 2013), and perhaps even more within the Bangladeshi community. One respondent, in Blackledge’s (2011: 132) study of the Bangladeshi community in the UK, commented, “We may have become British Bangladeshis or British Indians, but we don’t have fair skin and we don’t mix with them.” Putnam (2003 :166) argues

that in a country with high social capital, “Government is ‘we’, not ‘they’,” which, “reinforces government legitimacy”. Therefore, to reduce this social gap and the power distance, respondents suggested that HMRC needed to make a friendly initiative towards the Asian community. To connect the small immigrant business community with the tax system, they suggested using social media and mobile apps, where everyone’s participation would be easy. Thomas (2017) argues that tax compliance may be less burdensome and simpler if user-friendly websites and mobile applications can be developed for taxpayers. He finds that some professional tax advisory firms in the US offer mobile-app-based services on record-keeping and deductions, while SARS (the South African Revenue Service) offers return preparation services. Mobile-app-based services have also been launched by the New Zealand IRS to help small businesses file GST returns (eGov, 2015), and in India to help taxpayers find the relevant tax rates (First Post, 2017).

Some respondents, beyond these power issues, identified a different dimension of tax system complexity. They contended that the chronic welfare dependency of the Bangladeshi community resulted in massive tax compliance complexities. Small businesses needed to manage their tax returns in such a way that the welfare benefits continued. On this point, one respondent disagreed and commented that the abuse of social welfare was more a case with other immigrant communities and not with Bangladeshis. This observation could be supported from similar studies. In their study, Thatcher and Halvorsrud (2016) particularly mention Polish immigrants in Britain who generally work in low-paid jobs and abuse the welfare system. This welfare subculture also indicates social exclusion and explains the problematic tax compliance attitude that immigrants develop because of the harshness of their daily life experiences as immigrants

(McKenzie, 2016). The British attitude survey shows that people perceive benefit manipulation as a more serious offence than tax avoidance, and people from abroad, or immigrants, as claiming more benefits (Geiger et al., 2017).

In a serious tone, one respondent stated: “If you speak community wise, I think we are more respectful of the UK tax system. Whatever you say, we pay tax, not like the ... people, who don’t pay taxes at all, and come here to claim welfare benefits. I never say that I had a loss in my business,” (BO09). Comparing the UK system with the Bangladeshi tax system, where there was no social welfare, he commented that one might be reluctant to part with his hard-earned income to the tax authority in Bangladesh. But in a country of high social security like the UK, one should not mess up his tax payment.

Some respondents stated that some Bangladeshi immigrant businesses were strongly connected with broader society, whilst some were operating just within the local community. Those with a broader network had better access to information about tax practice and were careful about tax compliance. This argument was found supportive when one small business owner who was also the president of a Bangladeshi community in a leading UK city, said that he was a centre point connecting community tax advisers and small businesses. This brought him a reputation in the community, and at the same time got him better personal support with his accounts and tax filing by his tax adviser. This reminded us of Bourdieu’s recognition that social connections are used to produce economic capital and a community association brings social capital (Swain, 2003). Alm and Torgler (2011) argue that tax payment decisions are motivated by the social networks and social contexts to which a taxpayer or group of taxpayers belongs. Taxpayers with greater social identity and higher social

positions have a greater sense of guilt and more altruism, and thus demonstrate a higher moral attitude to tax.

6.4.5 Volume of Social Capital and the Bangladeshi Small Business Community

Following the Bourdieusian literature, two thematic questions were asked in the survey to measure the social capital Bangladeshi small businesses possessed and to see how, and with whom, they networked to solve tax compliance problems. This was important because, for Bourdieu (1986), individual habitus results from social interaction and the sharing of experiences with others. The questions asked were: “Who do you consult when you have an income-tax-related problem?” and, “Do you hold any of the following positions to serve your community?” The first question asked for responses on a five-point Likert-type scale and the second one asked for responses on a three-point scale.

Table 6. 7 Thematic groups of survey questions on social capital with descriptive statistics

N=101

Concepts	Items	Frequency	Percent	Mean	S. D.
Social network	Friends	16	15.8	2.17	0.970
	Accountants	69	68.3		
	Community leaders	6	5.9		
	Govt. offices	3	3.0		
	Family members	7	6.9		
Community involvement	Member or participant of a cultural organization	21	20.8	2.31	0.797
	Member or participant of a social organization	28	27.7		
	Member or participant of a political organization	52	51.5		

According to Table 6.7, most respondents (68.3%), went to tax accountants to deal with income-tax-related problems. A handful of immigrant businesses talked to their friends and family members to understand tax problems. Almost none went to any government office to seek advice on tax matters. This finding is by the fact that due to a language and accent barrier, they avoided government offices, as some respondents revealed in the interviews. In this regard, Bourdieu (1991:109) comments, "The use of language... depends on the social position of the speaker, which governs the access he can have... to the official, orthodox and legitimate speech." About the linguistic problems of Moroccan immigrants in France, Bourdieu (1999:61) comments that, "They speak roughly ... and what they say is almost unintelligible." Thatcher and Halvorsrud (2016) find that even naturalized British citizens with a high position in society are open to discrimination. Similarly, other than serving the community through business, the majority of Bangladeshis like to serve the community by being a member or participant of a political organization (51.5%) followed by social organizations. A preference for cultural organizations is the lowest of the three. Arguably, a community who group themselves according to home-country political and regional identity, as discussed in the previous section, are likely to be more interested in being associated with political or social organizations than cultural ones.

Table 6. 8 Immigrant business owners' perception of tax system complicatedness according to their ownership of social capital

How complicated is the tax system		accountants	others	cultural organization	social organization	political organization
complicated	Count	47	23	17	16	37
	% within row	67.1%	32.9%	24.3%	22.9%	52.9%
	% within column	68.1%	71.9%	81.0%	57.1%	71.2%
uncertain	Count	9	2	1	4	6
	% within row	81.8%	18.2%	9.1%	36.4%	54.5%
	% within column	13.0%	6.3%	4.8%	14.3%	11.5%
not complicated	Count	13	7	3	8	9
	% within row	65.0%	35.0%	15.0%	40.0%	45.0%
	% within column	18.8%	21.9%	14.3%	28.6%	17.3%
Total	Count	69	32	21	28	52
	% within row	68.3%	31.7%	20.8%	27.7%	51.5%
	% within column	100.0%	100.0%	100.0%	100.0%	100.0%

Notes: % within row indicates perceptions of tax system complicatedness; % within column indicates aspects of social capital.

Table 6. 9 Immigrant business owners' perception of tax system difficulty according to their ownership of social capital

Is the tax system difficult?		accountants	Others	cultural organization	social organization	political organization
difficult	Count	50	23	12	21	40
	% within row	68.5%	31.5%	16.4%	28.8%	54.8%
	% within column	72.5%	71.9%	57.1%	75.0%	76.9%
uncertain	Count	7	2	4	3	2
	% within row	77.8%	22.2%	44.4%	33.3%	22.2%
	% within column	10.1%	6.3%	19.0%	10.7%	3.8%
not difficult	Count	12	7	5	4	10
	% within row	63.2%	36.8%	26.3%	21.1%	52.6%
	% within column	17.4%	21.9%	23.8%	14.3%	19.2%
Total	Count	69	32	21	28	52
	% within row	68.3%	31.7%	20.8%	27.7%	51.5%
	% within column	100.0%	100.0%	100.0%	100.0%	100.0%

Notes: % within row indicates perceptions of tax system difficulty; % within column indicates aspects of social capital.

Table 6. 10 Immigrant business owners' perception of uncertain tax regulations according to their ownership of social capital

Uncertain tax regulations		accountants	Others	cultural organization	social organization	political organization
difficult	Count	52	25	16	22	39
	% within row	67.5%	32.5%	20.8%	28.6%	50.6%
	% within column	75.4%	78.1%	76.2%	78.6%	75.0%
uncertain	Count	5	4	4	3	2
	% within row	55.6%	44.4%	44.4%	33.3%	22.2%
	% within column	7.2%	12.5%	19.0%	10.7%	3.8%
not difficult	Count	12	3	1	3	11
	% within row	80.0%	20.0%	6.7%	20.0%	73.3%
	% within column	17.4%	9.4%	4.8%	10.7%	21.2%
Total	Count	69	32	21	28	52
	% within row	68.3%	31.7%	20.8%	27.7%	51.5%
	% within column	100.0%	100.0%	100.0%	100.0%	100.0%

Notes: % within row indicates perceptions of uncertain tax regulation;
% within column indicates aspects of social capital.

Cross-tabulation between access to social capital and perception of tax system complicatedness suggested, as reported in Table 6.8, that of those who perceived the UK tax system to be complicated, 67.1% consulted a professional tax adviser to solve their tax problem as opposed to 32.9% who sought help from others, friends, offices or community leaders. Viewed according to involvement in community activities, those connected with political organizations found the tax system more complicated than did those involved in social and cultural organizations. Those who were confused about whether the tax system was complicated or not also had an adviser or involvement with political organizations. Table 6.9 suggests that respondents seeking support from accountants or involved in political organizations viewed the tax system as more difficult than those who sought support from other sources or were involved in cultural or social organisations. Also, immigrant businesses involved in cultural organizations or dependent on tax advisers were more uncertain regarding tax system difficulties. As regarded perceptions of uncertainties in tax regulations, the same pattern was

found, as reported in Table 6.10. To sum up the findings, the perception of tax complexity or difficulties about the tax system or uncertainties regarding tax regulations was higher when immigrant businesses interacted with professional tax advisers than when they used other sources of support. The results of chi-square tests of independence showed that there was a statically significant relationship between taxpayers' social network (e.g., tax adviser or other) and perceptions of tax system complicatedness ($\chi^2=1.073$, $DF= 2$, $p = 0.023$), perceptions of tax system difficulty ($\chi^2=0.607$, $DF= 2$, $p = 0.037$) and perceptions of uncertain tax regulations ($\chi^2=1.645$, $DF= 2$, $p = 0.051$). Community involvement (e.g., involvement in cultural, social or political organizations) was not found statistically significant.

To explain the reason why the tax system is perceived to be complex despite almost all immigrant businesses using professional tax advisers, De Vries (2007) comments that there is also a lack of trust between the professionals and taxpayers. In his study, he found that the Chinese and Dutch immigrants in New Zealand expressed difficulties in working with professional accountants and emphasised the need to improve trust in tax professionals. This study has critically examined the relevance and presence of trust in the tax professional-taxpayer relationship (see section 7.4.1, para 6). In the factor analysis (section 7.5.1) trust emerges as an important factor for tax client-taxpayer relationship, meaning dependence and confidence. Finally, section 7.5.5 further explains the different aspects of trust and cooperation in the professional tax practice.

Some of them were also very suspicious about the value of the service they received from accountants. One commentator in his study affirmed that his attitude to accountants was: "I take your advice with a grain of salt" or "the

accountant is the last one I get advice from,” (De Vries, 2007: 39 and 96). Again, through social networking, individuals collect information and knowledge about social customs (Hashimzade et al., 2014) that help them develop a positive attitude to tax. It is through social interactions that people develop perceptions about other citizens’ attitudes to tax, as discussed in Section 3.4.1 on sociological perspectives on tax compliance.

6.4.6 Economic Capital and Its Importance in Shaping Perception of Tax Complexity and Compliance

Bourdieu states that economic capital is the most significant of all forms of capital and thus becomes the central issue in “nearly every transmutation of capital” (Veenstra, 2009: 65). For immigrant businesses, it takes time to accumulate social capital in the destination country, and they have less cultural and economic capital than the native population (Bodvarsson and den Berg, 2013:274). Roberts comments (1995:42) that, “Immigrant groups differ widely in the nature and strength of their social ties, and these differences are likely to affect the pattern of their economic adjustments.” Around this reality, this section deals with how economic circumstances influence the tax compliance attitude of Bangladeshi immigrant businesses.

Analysis of interviews showed that an increase in business income meant an increase in family wealth, unless too much of it was soaked up by tax and national insurance contributions. Cash transactions, as discussed in Section 6.3.1, were a way of doing business that allowed businesses to reduce NICs and tax payments. There were several reasons for preferring cash transactions. First, most immigrant business owners had families back home who needed financial support for survival. “...The other money goes to Bangladesh. Here is one crucial issue relating to the immigrant communities. All Bangladeshi people have some

responsibility, property or engagement in Bangladesh,” (BO05). Second, due to isolation from mainstream society, most of them had a plan to return to Bangladesh and thus needed to buy properties there, as discussed in Section 6.3.4.

Third, state benefits were a regular source of income for most Bangladeshi family businesses. Higher tax payments might call into question their eligibility for state benefits. Liebig and Poza (2005) point out that migrants are usually less dependent on earned income, if there is scope for unearned income. Finally, showing a good business income made businesses more susceptible to tax audit and investigation. Some respondents were aggrieved that the only reason their tax return was audited was because of their good and steady income. The reality of cash-based transactions for employees was somewhat different. These people needed to be paid in cash so that they were not burdened by tax payments, so this was an evasive tax practice that gave them access to welfare benefits, as discussed in Section 6.4.4 above. A summary of business owners’ comments on cash transactions is presented in Table 6.11.

Table 6. 11 Respondents’ observations on the need for cash transactions.

Respondent	Profession/nature of business	Comment
Business Owner (BO02)	Restaurant Business, Edinburgh	<i>If a worker gets £250 per month, around 1/3rd goes to the govt exchequer. So, we need to help them with the cash salary to keep them beyond the tax system.</i>
Business Owner (BO04)	Washing and Laundry, London	<i>All our Bangladeshi staff want to get paid in cash, which creates a problem to tax compliance. You cannot get a Bangladeshi staff unless you pay them in cash.</i>
Tax Adviser (TA04)	Professional Tax Adviser, London	<i>It’s helpful for both the employees and employers to pay less hourly wages and mostly in cash to get rid of the tax complications and contractual hassles of holiday and other annual leaves.</i>

Tax Adviser (TA07)	Professional Tax Adviser, Exeter	<i>In family businesses, which are the general picture in much Bangladeshi business, there is a benefit to cash flow.</i>
Business Owner (BO13)	Media and Printing, London	<i>Most of our transactions are carried through banks, but there are cash transactions also, for example, workers' salaries.</i>
Tax Adviser (TA10)	In-house Accountant, Grocery Business, Birmingham	<i>We receive a bundle of cash payments from our customers. I don't know why they spend and earn in cash. The Bangladeshi people like to pay in cash in the shop.</i>
Business Owner(BO15)	Restaurant Business, Exeter	<i>We need to pay tax and NICs for our staff. We sell in cash to pay employee wages, which we don't want to do but there is no other way.</i>
Tax Adviser (TA11)	Professional Adviser, London	<i>I did not accept his accounts because he did not show his cash sales which is at least 30% of his total sales (referring to a Bangladeshi restaurant business)</i>

Table 6.11 reflects comments made by eight respondents who represented about one third of the total respondents. In a qualitative understanding of a problem however, the frequency of reference does not carry much significance. It should be mentioned that the statements reported here did not deal with the legality or illegality of cash transactions, but indicated the socio-economic reality that complicated the tax compliance activities of immigrant businesses.

In the international tax literature, there have been many discussions of the cash economy of immigrant communities. For example, Halkias (2007:5) observes (quoted in Delgado, 2011:75) that, "The immigrant's main goal in the country is to make money quickly to either send back home to his or her family or to take back with him or her upon returning home. Therefore, immigrants who are sojourners are inclined to seek self-employment in industries where start-up costs are relatively low, where competition is minimal, where capital can be raised quickly, and where assets can be easily liquidated and turned into cash." Delgado (2011:88) comments, "In New York bodegas (small grocery stores) are often the

targets of crime because they are cash business and are very hard to see into from the outside (small windows are often covered with advertisements).” Burholt and Wenger (2003:63) found that British Bangladeshis, particularly those from the Sylhet district, send remittances to Bangladesh to help relatives in establishing and running businesses. Becucci (2017) had similar findings about Chinese ethnic businesses in the Prato, Italy, who sent income and wealth to China rather than spending it in Italy.

However, some respondents disagreed with the above observations and provided a distinct perspective on the problem. They argued that cash-based transactions used to happen in the past. With the widespread introduction of online banking and card transactions, the majority of business operations were now conducted through card payments. As an example, one respondent stated, “Card payments cannot be concealed. For example, the directors getting paid their meal allowances, travel, etc. has to be reported. No way to hide this,” (BO08). Others claimed that most of their transactions were carried through banks. If there were any cash transactions, they were recorded properly in the account books. One respondent confirmed that he would always avoid making cash transactions because cash transactions might increase tax liabilities. He stated, “If you pay by cheque, you can claim the expenses confidently in your tax file. But un-vouchered cash transactions are difficult to substantiate to the tax office,” (BO15). This observation agrees with that of Morse et al. (2009), who comment that business taxpayers are more interested in showing income realized in cheques than in cash to appear genuine to the tax office.

Other than the issue of cash transactions, there are tax professionals’ fees and record-keeping expenses (discussed in Section 6.3.1) which add to the tax

compliance costs of immigrant businesses. There is ample evidence that small businesses bear disproportionately higher tax compliance costs, which impacts their compliance behaviour severely (e.g., Hasseldine, 1995). The perception of high tax compliance costs is not a concern of immigrant businesses alone: their tax advisers also admit it. “Small firms come to small advisers like us. They cannot go to well-established accountants because they cannot afford the costs. For cost reasons, small businesses cannot appoint an in-house accountant,” (Tax Adviser, TA01). Respondents expressed concern that compliance costs could shoot up when there was litigation with the tax authority, because small accountants could not plead a difficult tax case.

6.4.7 Volume of Economic Capital and the Bangladeshi Business Community

In measuring the economic position of Bangladeshi immigrant businesses, two thematic questions were asked in the survey questionnaire: “What is the total capital of your business (in British Pounds)?” and “What is the ownership status of the house you live in?” The answer options for the first question were categorized based on size of business capital, and for the second question based on ownership of the house they lived in.

Table 6. 12 Thematic groups of survey questions on economic capital and descriptive statistics

N=101

Concepts	Items	Frequency	Percent	Mean	S. D
Business capital	below £100,000	71	70.3	1.62	1.289
	£100,000-£200,000	12	11.9		
	£200,000-£300,000	8	7.9		
	£300,000-£400,000	4	4.0		
	£400,000-£500,000	2	2.0		
	Above £500,000	4	4.0		
Home ownership	Owned by you or your family	75	74.3	1.26	0.439
	Rented	26	25.7		

As shown in Table 6.12, most Bangladeshi small businesses (70.3%) had a business capital of less than £100,000. The mean value 1.62 for five capital categories indicates that the majority of the businesses had capital of less than £200,000. Only a very few, around 10%, had business capital of £300,000 or more. In terms of residential property ownership, the majority (74.3%) lived in their own or family-owned houses, and only a few lived in rented accommodation. Having a low business capital for Bangladeshi immigrants is understandable because most of them finance the business out of family savings or money borrowed from friends, since they have less access to formal capital market institutions (Basu and Altinay, 2002; Poutziouris, 2011). Bourdieu argues that relationships and social networks enable the exploitation of economic resources (Bourdieu, cited in Danes et al., 2008). The other aspect of economic capital is that the home ownership among Bangladeshi immigrant business is high, which is similar to home ownership among immigrants in other countries. In fact, home ownership among immigrants in many countries is found to be high. Darden (2015) finds that in the 10 major metropolitan cities of the US, the home ownership rate of Asian communities is 59.7%, which is higher than that of immigrants from Africa and South America.

Table 6. 13 Immigrant business owners' perception of tax system complicatedness according to their ownership of economic capital

How complicated is the tax system		below £100,000	over £100,000	Own	Rented
complicated	Count	49	21	53	17
	% within row	70.0%	30.0%	75.7%	24.3%
	% within column	69.0%	70.0%	70.7%	65.4%
uncertain	Count	9	2	8	3
	% within row	81.8%	18.2%	72.7%	27.3%
	% within column	12.7%	6.7%	10.7%	11.5%
not complicated	Count	13	7	14	6
	% within row	65.0%	35.0%	70.0%	30.0%
	% within column	18.3%	23.3%	18.7%	23.1%
Total	Count	71	30	75	26

	% within row	70.3%	29.7%	74.3%	25.7%
	% within column	100.0%	100.0%	100.0%	100.0%

Notes: % within row indicates perceptions of tax system complicatedness; % within column indicates aspects of economic capital.

Table 6. 14 Immigrant business owners' perception of tax system difficulties according to their ownership of economic capital

How difficult is the tax law		below £100,000	over £100,000	Own	Rented
difficult	Count	48	25	54	19
	% within row	65.8%	34.2%	74.0%	26.0%
	% within column	67.6%	83.3%	72.0%	73.1%
uncertain	Count	7	2	5	4
	% within row	77.8%	22.2%	55.6%	44.4%
	% within column	9.9%	6.7%	6.7%	15.4%
not difficult	Count	16	3	16	3
	% within row	84.2%	15.8%	84.2%	15.8%
	% within column	22.5%	10.0%	21.3%	11.5%
Total	Count	71	30	75	26
	% within row	70.3%	29.7%	74.3%	25.7%
	% within column	100.0%	100.0%	100.0%	100.0%

Notes: % within row indicates perceptions of tax system difficulty;
% within column indicates aspects of economic capital.

Table 6. 15 Immigrant business owners' perception of uncertain tax regulation according to their ownership of economic capital

Uncertain tax regulations		below £100,000	over £100,000	Own	Rented
agree	Count	55	22	60	17
	% within row	71.4%	28.6%	77.9%	22.1%
	% within column	77.5%	73.3%	80.0%	65.4%
uncertain	Count	6	3	6	3
	% within row	66.7%	33.3%	66.7%	33.3%
	% within column	8.5%	10.0%	8.0%	11.5%
disagree	Count	10	5	9	6
	% within row	66.7%	33.3%	60.0%	40.0%
	% within column	14.1%	16.7%	12.0%	23.1%
Total	Count	71	30	75	26
	% within row	70.3%	29.7%	74.3%	25.7%
	% within column	100.0%	100.0%	100.0%	100.0%

Notes: % within row indicates perceptions of uncertain tax regulations;
% within column indicates aspects of economic capital.

Seen from the perspective of respondents' economic circumstances, as shown in Table 6.13, of those who viewed the tax system as complicated, the majority (70%) had business capital of less than £100,000, as opposed to 30% who had business capital of more than £100,000. Likewise, the majority of those who lived in their own property (75.7%) thought that the tax system was complicated for them, as opposed to those living in rented property. A comparatively higher percentage of respondents in those groups having less business capital or owning residential property were uncertain whether the tax system complicated or not. For the other two aspects of complexity, tax system difficulties and uncertain tax regulations, the pattern was same, as reported in Tables 6.14 and 6.15. To a higher percentage of respondents having business capital of less than £100,000, or owning a house, the tax system seemed to be difficult or the tax regulations uncertain. In sum, the tax system was proportionately more complex for those who had less business capital or those who owned a house. Immigrants business owners with higher business capital or living in rented accommodation felt the tax system to be less complex. The results of chi-square tests of independence showed that there was a statically significant relationship between taxpayers' business capital and perceptions of tax system difficulty ($\chi^2=2.724$, $DF= 2$, $p = 0.053$) and their home ownership and perceptions of tax system difficulty ($\chi^2=1.634$, $DF= 2$, $p = 0.042$). No other variables were found to maintain a statistically significant relationship.

6.5 Chapter Summary

In answering to the question: "Is Bangladeshi small family businesses' engagement to the UK tax system problematic?", this chapter has shown that for most immigrant taxpayers, book-keeping and accounting was a major tax compliance problem, mainly because of the cost and risk involved in failing to

maintain proper records. Immigrant businesses found it hard to determine taxable income and tax calculations and were puzzled about the expenses that were allowable or disallowable in tax returns. To them engagement with the UK tax system was a difficult job. Underlying their perception of tax complexity and compliance were their educational qualifications, whether earned in the UK or in Bangladesh, and their social networking to solve tax problems. Their perceptions of tax system complexity were also influenced by their home ownership status and amount of capital invested in the business.

CHAPTER VII

Tax Risk Management and Tax Adviser-Immigrant Business Relationships

7.1 Introduction

The objective of this chapter is to answer the second main research question: “How is tax risk managed in the Bangladeshi small business community?” by answering to subsidiary research questions three, four and five. The third research question, as formulated in Section 5.2, was: “How do small Bangladeshi family businesses manage tax risk?” To answer the third subsidiary question, we shall examine the concept of tax risk in immigrant businesses in section 7.2, their sources and nature in section 7.3 and the way tax risks are planned and managed in section 7.4. The fourth question was: “To what extent do small Bangladeshi family businesses rely on tax advisers?” To answer the fourth subsidiary research question, we shall examine the extent to which immigrant businesses depend on professional tax advisers in section 7.5, and why they depend on them in section 7.5.1. The focus will be on how important and realistic it is for immigrant businesses to depend on professional tax advisers. And the fifth subsidiary question was: “What is the nature of the relationship between the small Bangladeshi family businesses and their tax advisers?” To answer the fifth research question, we shall examine the power dynamics between the tax advisers and the immigrant business owners in section 7.6 and investigate whether this is a relationship of the domination of one by the other, or a relationship of cooperation and trust in sections 7.6.5. The chapter conclusion will be presented in section 7.8.

7.2 The Concept of Tax Risk in Immigrant Businesses

Tax risk is a part of the general attitude to risk of an individual. Research evidence suggests that immigrant entrepreneurs usually take more risk in venture capital and new business formation when they have access to a social network in the country of destination (Umbljls, 2012; Gutiérrez and José, 2015). The question, however, is – are tax risk and non-tax business risks perceived and managed in the same way by immigrant businesses? How do they vary in the new *champ*, the host society battlefield? According to Bourdieu’s social theory, an immigrant’s position in his or her new social space is determined by the economic and cultural resources he or she possesses and the experiences he or she has lived through (Burke et al., 2016), which in turn affect his or her aspirations, expectations, strategies and actions.

Comments from the survey respondents affirmed that immigrant businesses viewed tax risk in the same way as they viewed other business risks. They believed that taking risks was a common feature of business society, but the risk must be measurable and tolerable. In an unequal power relationship²¹ between immigrants and the tax authority of a destination country (Eliassi,2013), taking an undefined tax risk was likely to worsen their position in the tax field. The following comments from respondents can be cited:

We have been taking risks in a way that is tolerable and measurable. We have never been caught or questioned by the tax office because we are very confident of what we do and how we manage our tax risks. If you run

²¹ The native people usually occupy a subject position and the immigrants are assigned with an object position (Eliassi, 2013). This creates an unequal system of domination and subordination, the “hosts” being the dominant society and the “guests” the dominated. In this unequal distribution of power immigrants are forced to struggle more to access to the social resources.

a business, you must take risks, but you must look at the legal side of it. (BO04)

If I make a profit of £100, 000 and my accountant suggests to me a legally acceptable action to reduce profit, then I will do it. But if HMRC is going to come and find a great hole in my tax file, I will not do it. I don't feel comfortable with such practices. I need to have a comfort zone. What I have is good enough for me. I want to take risks on manufacturing, marketing or other matters, not on tax. (BO07)

People want to pay tax, especially the under- or uneducated people, because we don't have the expertise or skills to take risk and fool the tax office. (BO10)

According to the economic perspective of tax risk analysis, as discussed in Section 3.5.1, people will take tax risks so long as it benefits them in generating tax savings. In other words, taking risk in tax returns is like making money through tax savings or creating more economic capital, provided that the risk-venture is successful. Dilley (2017) argues that taking risk, in the Bourdieusian sense, is a strategy for capital accumulation. However, economic capital accumulated illegally may mean a loss of honour, status or social prestige, i.e., symbolic capital. In Bourdieu's theory of practice, all forms of capital are "convertible and reducible in the purest form to symbolic capital", as Terjesen and Elam (2009:1105) put it. But the reverse may happen: economic capital earned deceptively may give rise to "symbolic liability" rather than "symbolic capital". Tax risk, to the respondents, was unlike an investment risk, which might cause loss to the owner without too much damage to his social reputation. Being caught by the tax authority in a deceitful tax position would involve a much higher loss of social status. The above respondent, BO07, explained this further: "It is wise to spend money to avoid risk. I am a risk taker on my investment, not on all risks.

Taking a tax risk is not in my nature. I take business risks whenever profitable, for example, investing in new machinery.”

On the other hand, there were respondents who questioned whether small immigrant businesses with a lowly social position had any prestige or honour in the eyes of native British people. They commented that of all the capitals, what immigrant communities lacked most in a foreign land was perhaps symbolic capital, i.e., legitimacy and power in the mainstream society.

The rules of the game or, in this case, the rules of tax risk management, however, were somewhat different in the eyes of tax professionals. They thought that it was a fallacy that immigrant businesses were concerned about reputation or social acceptance, particularly when most of them were careless in maintaining tax and business documents, a common source of tax risk and complications (as discussed in Section 6.3.1). One tax adviser (TA05) observed, “The major tax risk centred on immigrant businesses is incomplete documentation. It is an inherent risk.” Engaging in improper data management, either due to lack of tax knowledge, i.e., cultural capital, or due to the inability to appoint an in-house accountant, i.e., economic capital, was ingrained in the tax practice of immigrant businesses as if it was their “second nature”; that is, they did it unconsciously.

In a migrant habitus, where habitus-field disjuncture or “unsettledness” is more likely (Morris, 2016; Thatcher and Halvorsrud, 2016), risk-taking by lack of proper documentation may become a normal practice. Bourdieu and Sayad (1964, cited in Thatcher and Halvorsrud, 2016) comment that people who move from one social structure to another experience hysteresis because of the conflict between field and habitus. And growing anxiety and insecurity in such an environment may cause risk-taking tendencies to become high. Drawing on Bourdieu, Hardy

(2008:144) notes that, “There is a high level of risk associated with hysteresis, since for a time at least, field struggles take place in the context of an unknown future.” Alternatively, there may simply be careless risk-taking behaviour unrelated to the unsettled fit between habitus and the social field the risk taker lives in.

The limbo experienced by immigrant businesses during the hysteresis period may cause profound psychic impact on them and fragment their habitus – “torn by contradiction and internal division”, as Bourdieu describes it (Bourdieu 2004, quoted in Friedman, 2016). The uncertain conditions in their new life and “the emotional turmoil one might feel when habitus lags or tugs” (Morrin, 2016), may produce a search for non-compliance opportunities in tax returns, although the opposite may also happen. For example, Alm (2012) cautions that the effect of uncertainty on tax compliance is ambiguous. A risk-averse taxpayer will respond to uncertainty by being compliant, while a risk taker will underreport. On the other hand, immigrants’ perception of tax risk is also associated with the cultural, political and economic milieu of the new society. For example, migrants, in countries like Peru or Thailand, where tax evasion is very high, and in countries like Canada or the US, where tax evasion is very low (Rethi, 2010), are likely to form different tax habitus.

7.3 Sources and Nature of Tax Risks and Tax Advice in Immigrant Business Communities

The relationship between social capital and tax management is a well discussed topic in the literature of ethnic entrepreneurship (Light and Bonachich, 1988; Yuan et al. 2013). Immigrant businesses mainly look for support from within the community, due to their inability to establish access in the mainstream community (Levitt, 1995).

Interviews with the 15 business owners revealed that 11 of them had a Bangladeshi accountant or tax adviser, while only four had either a Pakistani or English tax accountant. One respondent (BO09) stated, “The accountants are ethnically of two kinds mainly: English and non-English. You will find that most Bangladeshi taxpayers go to Asian accountants.” The similar class background of Bangladeshi small businesses and small advisers made it easier for the former to approach the latter than to approach a non-Bangladeshi tax adviser. Bourdieu (1984) finds that the social characteristics of audiences in the French theatre are in congruent with the characteristics of the actors performing in the theatre, due to the structural and functional homology of these two classes of people (Swartz, 1997). Swartz (1997:130) clarifies this as, “Consumers in subordinate social-class positions tend to select products produced by producers in the subordinate positions within the field of cultural production.”

Likewise, all the 12 Bangladeshi tax advisers interviewed stated that around 70% of their tax clients were from the Bangladeshi community, with the rest from other ethnic communities, for example, Turkish, Pakistani, Indian or Jamaican. Only three tax advisers said that they had English clients along with Bangladeshi or other ethnic clients. The need for an ethnic accountant in immigrant communities is well-reflected in the following comments:

Your accountant is your financial doctor; you should tell him everything. Although they maintain professionalism, sometimes we tell them that I need some cash withdrawal for personal purposes, so I am issuing a receipt for a business expense. Often, they don't support issuing business expense receipts to meet personal expenses, but sometimes they also approve it. (BO08)

We take the help of a professional tax accountant. We have an internal accountant who does only invoicing. All the tax issues, VAT returns,

income tax, all the PAYE, everything goes to my accountant across the road. (BO07)

Most Bangladeshi accounting firms in London and Birmingham are situated in business centres run mainly by Bangladeshis, which makes it easy to find an adviser. Certain parts of London, for example, Whitechapel, and Birmingham, for example, Small Heath, are Bangladeshi and South Asian immigrant ghettos, neighbourhoods for dispossessed and deprived immigrants (Wacquant, 1999). The geographical proximity between tax advisers and tax clients indicates that Bourdieu's field is not only a meta-arena of competition and conflict, it is often a spatial field. Dilley (2017:126) reminds us that, "Games may in practice be concentrated in a particular geographical location". Bourdieu (1996) himself clarifies that agents may be classified by their location or by their place of permanent residence i.e., by land or by home, which is a way of occupying the social space. He notes (ibid:14), "Spatial distances on paper are equivalent to social distances."

The way tax risk activities are gauged and managed by immigrant communities rests on the nature of the economic activities they are engaged in. In other words, the tax risk habitus to some extent reflect the underlying economic activities of social agents. For example, an imbalance of income and expenditure in their tax return may force a business owner to be more creative, or even evasive, with their tax obligations and to look for an illegal risk management technique. Two examples from interviews make this clear:

The Bangladeshi community taxpayers say they don't have profit in their business, but they run posh cars, send their children to private school. They don't show the real profit; thus, they do many terrible things in their expense claims. Often, they inflate the expense illegally. (BO01)

I don't allow my accountant to touch my profit. Once the accounts are prepared I ask him whether there is any means to reduce the taxes further. In fact, he gives me some tips in advance on how to calculate the profit so that the tax is minimal. The only thing we want to make sure of is that I don't pay the real tax. If someone wants to pay income taxes fully, he cannot survive, nor can he do business. The tax liability is huge. Moreover, once you pay tax, you need to pay tax every year, otherwise they will be suspicious of you. (BO11)

The management of tax risk would be different in the above two cases, although the underlying reality or the motive of risk management is the same: accumulation of economic capital. With economic interest, the other aspect that influences the risk habitus is the historical origin of the Bangladeshi community in British society. Weber and Dawes (2005) suggest considering the life-trajectories or histories of individuals to explore the habitus of economic decision-making of social agents. As a community, the Bangladeshis started their journey as seaman in British ships in the 1940s. In search of better life, they used to disappear from the ship when it landed at any British land port (Choudhury and Drake, 2001; Basu and Altinay, 2002). Their initial jobs were mostly cooking or cleaning. With mass migration in the 1970s and 1980s, the community grew (ONS, 2011), and self-employment or small businesses (IPPR, 2007) emerged as their new social stance, i.e., "position taking" in the British social space. Rising to the field of business from low-paid jobs, or even no jobs, was difficult, since such changes were not systematic. The structural difference between jobs and business made their position in the field more uncertain. Bourdieu (1996:10) comments, "Comparison is possible only from system to system," otherwise comparison "risks unduly identifying structurally different properties."

The structure of tax legislation and its stability over time is another factor that shapes tax risk habitus. If there are frustrations about tax regulation (PAYE, company tax, VAT), as many respondents indicated in the interviews, or complaints about tax administration, for example, “It’s panicking to meet a tax inspector,” taxpayers question the legitimacy of tax regulation and may be prepared to defy it. The approach the tax authority takes to ethnic communities, if they appear to be disbelieving or mistrusting of them, may affect the risk habitus of immigrants, as Berezin (2005:111) argues that, “Trust and risk are directly proportional to each other.” If HMRC, the regulator and the site of power (Gracia and Oats, 2012; Kraal, 2013), imposes a tax burden without the consent or “comfort” of the immigrant communities, the latter will look for loopholes in the tax system. For example, the resentment that one respondent expressed at the one-sided, non-consensual imposition of tax by HMRC – “Every time I sent them a letter and explanation, they did not listen to me and ... they would go to court if I didn’t pay the demanded VAT” (BO03) – had *led* him into a new battle for power and existence.

On the other hand, those who are satisfied with the tax system submit returns and pay taxes following the field doxa, i.e., accepting tax payment obligations naturally, without a sense of oppression and a tax evasion plan. If taxpayers view tax payment as a public duty to be “taken for granted”, it becomes a doxic practice through the *illu*sio of practical sense or common sense (Morrin, 2016, Kraal, 2013) to respect tax obligations.

7.4 Tax Planning, Tax Risk Management and Power Relations

In small businesses, the culture of tax planning is not strong, especially when it comes to producing a documented tax plan of the type often produced in medium

and large companies. The survey responses to the question of whether immigrant businesses had a documented tax planning strategy showed that only 39.6 % had a tax plan. Tax plan in this case means a formal or informal arrangement between the tax advisers and the taxpayers to keep them, i.e., taxpayers informed and aware of the potential tax changes. In a very few cases, these plans were written as a part of an overall business plan or tax consultancy agreement. One tax adviser (TA08) commented, "We provide a business and tax plan to existing and new small businesses. In fact, the plan is on overall business issues which include tax matters." In many cases, these plans are written, although they can be informal, as in the case of one small business owner (BO15), who stated that, "The tax accountant gave me some instructions which I keep in my diary and try to follow. He also gives me guidance and warnings beforehand if there are any serious changes in legal matters, for example, changes in tax rates." Similarly, a tax adviser (TA06) said that he formally offered a "tax planning scheme" to help reduce taxes to a client who was curious to know the likelihood of the scheme getting him into trouble with the tax office. In reply, the tax adviser informed his client, "We are trying it for the first time, and don't know the likelihood." About the nature and purpose of small business tax planning, one tax adviser (TA09) said the following: "Tax planning issues are there in family businesses. If the director of the company does not work anywhere else, he is eligible for an individual allowance of £10,600. After this allowance, he should take the rest of the money as dividends, because money taken under PAYE is very expensive and not tax efficient. So, the tax planning here is to take a salary below £10,600 and take the rest as dividends. In that case, the dividend is not charged any tax if you pay the basic tax rate, having an income of £32, 000 or less."

There were however others who did not have any tax planning, formal or informal, written or verbal, for their businesses (for example, BO08 and BO09), which was acknowledged by a tax practitioner (TA11) with the comment, “For small businesses, we don’t have any planning.” The survey findings indicated that 60.4% did not have any idea what a tax risk management or tax planning scheme meant. Those having no tax risk planning thought that, “Small businesses have no capacity to take a tax risk; big businesses have big expectations and high tax risks,” (BO06). This observation supports Bourdieu’s (2005) comment that large businesses define the field logic and occupy a prominent position in the economic and power structure of their society.

In the interviews as well, most of the respondents commented that they did not have any written tax planning documents, but had had some informal discussion around the potential risk they might face with their return submission. However, they felt the need to have a tax plan. “We don’t have a documented tax plan. I will ask my tax adviser about this. Every penny works. If I can reduce my tax bill, why not?” as one respondent (BO13) observed. This observation suggested that tax planning was equated with reducing the tax bill or increasing economic capital to some extent.

Increasing economic capital, however, does not mean taking a tax advantages through deceitful tax planning but rather through efficient management of business wealth (Morris et al., 1997). For example, one tax adviser (TA09) commented that he would always advise his client “to take salary up to a certain amount and claim that as an expense rather than taking the whole as dividend”. OECD (2009) research on small business tax compliance shows that they, like

large businesses, have tax planning strategies to take advantage of lawful means of reducing tax bills. The following observations from tax advisers can be noted:

We provide clients with a tax plan. The planning is different, depending on the structure of the business. But usually the small businesses don't like to have a plan, they don't have many tax issues. In fact, the large businesses have too many tax issues and need to think in advance. (TA05)

Tax issues come as a priority in the business plan, because they affect both the mortgage and finance matters of the business. Most businesses don't know how much corporation tax is and how, through tax planning, corporation tax can be minimized. (TA08)

In making tax planning and risk decisions, community relationships play a key role. In the Bangladeshi community, tax advisers know most of their clients and their business activities personally, which allows them to make a good tax plan or business assessment. In immigrant communities, the economic field is much narrower than that it is for native businesses (Levitt, 1995: Light and Bhachu, 2004), but this may allow close social networking and easy tax and business decisions. This chimes with Bourdieu's (1993) comment that in a familiar context, the very disposition of a social agent gives him a 'feel for the game' without much planning or conscious deliberation. A situation in which taxpayers and tax advisers come from and belong to the same social space and cultural background makes it easier for them to cope with each other and be effective in planning the tax strategies to undertake. The above tax adviser (TA08) continued:

Since we work in the Bangladeshi community, we know more about the Bangladeshi community and [know] each of our clients well. And the clients also share everything with us, disclose many facts with us. But non-Bangladeshi clients hide things from us. And we also don't know much of

their business. Clients from other countries give us limited information; they don't give us all the information.

In supporting this statement, another tax adviser (TA09) added:

We plan based on client type. We call it "know the clients first and their needs". We cannot give a plan if we don't know their income, expenditure, rents.

A tax planning strategy, however, is not just a mutually settled document between business owners and tax advisers: it can often be a mechanism of control. A tax adviser may use tax planning or tax advice as a power tool to control taxpayers' business and risk behaviour (Klepper et al., 1991; Sitalaksmi and Zhu, 2013). Bourdieu suggests that power is central to establishing control and changing organizational identity by changing the distribution of capital (Oakes et al., 1998).

The power relations between small immigrant businesses and other actors in the tax field, especially large businesses, play a crucial role in the creating of the former's tax habitus. Some respondents argued that small firms, as compared with large companies, virtually evaded no taxes. These respondents believed that large companies maintained a strong alliance with the political party in power to manipulate the tax system in their favour. One respondent asked, "How many Bangladeshi curry businesses do you need to add up to be like Marks & Spencer? Because of large business tax evasion, we the small businesses are made the scapegoat." Small businesses constitute 50% to 90% of the business field (Feltham et al., 2005; Rayney, 2013) in almost all countries, yet they have little or almost no control over the tax field.

Small businesses cannot utilize their knowledge to benefit their own business, but only to struggle with the big businesses who dominate the field (Bourdieu and Wacquant, 1992). Dobbins (2005) notes that powerful firms can shape the

regulations to their own advantage, and all others must then obey them. The tax system, thus, is not class-neutral but reproduces class distinctions among taxpayers of different classes, which might be seen as one of the reasons for planning a tax scheme (Ebrahim,2003).

Tax planning in immigrant businesses is not always about taking lawful advantages: it may be used as a device for intentional tax evasion. There can be taxpayers who use tax planning to manage gaps in their accounts. To them tax planning and risk management are euphemisms for tax avoidance (Christensen and Murphy, 2004). For example, a small business owner (BO02) observed, “To manage the risk of cash transactions, we talk to accountants to help with this gap. They prepare the accounts in such a way that the gap is not disclosed.” This aggressive financial reporting is illegal, and falls within the area of tax evasion rather than tax planning. Although tax planning and tax evasion are two distinct concepts, drawing a sharp line between them can be difficult in some cases. Frank et al. (2008: 468) argue, “Aggressive tax reporting ... through tax planning... may or may not be considered fraudulent tax evasion.” Denis Healy (cited in Halla 2011:399), a former Chancellor of Exchequer in the UK, strikingly phrased this idea as, “The difference between tax avoidance and tax evasion is the thickness of a prison wall.” This situation of managing tax gaps through aggressive tax planning essentially constitutes the “rules of the game”, or the interaction, between immigrant businesses and their tax advisers. Gracia and Oats (2012:11) comment that, “Taxpayer clients, although motivated by financial gain (economic capital), thus engage with HMRC and their advisors in the possible game of tax avoidance. Such routines of practice naturalise the industry of tax planning and avoidance, and more controversially tax evasion.”

In this connection, it is pertinent to mention one respondent having an educational qualification earned from a prestigious UK university, who pointed to the widespread welfare dependence of Bangladeshi immigrants as a reason for high tax risk exposure. He argued that immigrant communities in the UK from developing countries entered into a new social field where the benefits they received from the tax system were often more than the contribution they made in the form of tax payments. This respondent (BO07) stated, “I think that the UK’s welfare system has to be reformed to stop evasive tax practices by some immigrants. The welfare abuse is more with the immigrant class.” But at the same time, others thought that welfare benefits might make people more responsible towards the tax system, because, “Tax payments get much easier when you have state support,” (TA01). By state support, the respondent referred to the various public services, for example, health care, and the income support one gets in one’s old age.

This divergence in opinions about the link between welfare benefits and taxpaying attitudes suggests that the group habitus of people of the same class may be similar, but there can be differences at the individual level habitus (Laine, 2014), which is termed homology in Bourdieu’s praxeology. It is very likely that immigrant businesses, although having a Bangladeshi background, may have different tax risk habitus because of disparities in the volume of capital they hold (Burke, 2016).

7.5 Dependence on Tax Advisers: How Does It Occur and To What Extent?

Is dependence on tax advisers a habit or a necessity? What makes such dependence a reality in small business taxation? This section deals with why immigrant businesses depend on tax advisers and explores the extent of such

dependence. It will examine whether such dependence is a one-time or a permanent phenomenon in small business tax practice. Of the sampled 101 immigrant businesses, 82.2% had a hired or contractual tax adviser to manage tax compliance, 11.9% had an in-house accountant, and a minority (6.9%) had both. Binomial test statistics achieved by combining these three categories into two – either having an appointed or an in-house tax adviser – showed that there was a statistically significant difference between the group of immigrant businesses who depended on an appointed adviser and those who depended on an in-house adviser ($p = 0.000$).

Survey findings indicated that uncertainty in the tax system was one of the reasons for depending on tax advisers. 76.3% of respondents said that they sought tax advice to resolve the uncertainties in tax legislation.

Table 7. 1 Dependence on tax advisers and perception of uncertainty about income tax regulations

	Have a hired or in-house tax adviser?	N	Mean Rank	Sum of Ranks	Test statistics*
Seek advice due to uncertainty about income tax regulations?	Hired tax adviser	82	48.16	3949.50	Mann-Whitney U=437.50, P=0.011
	In-House tax adviser	12	42.96	515.50	
	Total	94			

*Grouping variable: Hired or in-house tax adviser.

A Mann-Whitney U Test, as reported in Table 7.1, was conducted to see which groups of immigrant businesses, those having a hired or contractual tax adviser (group = 1) or those having an in-house one (group = 2), perceived higher uncertainty in the tax regulations. The mean rank values showed that those who had a contractual tax adviser (mean score = 48.16) had a higher perception of uncertainty than those having an in-house tax one (mean score = 42.96). Test

statistics showed that the level of uncertainty in the tax adviser group was statistically significantly higher than in the in-house tax accountant group ($U = 437.5, p = 0.011$).

One way to understand the wider meaning of dependence on professional tax advice by business owners is to explore the various reasons for appointing a tax adviser. Survey results suggested that the principal reason was the confusion about filling out the tax return (30.7%), followed by language difficulties in tax legislation (25.7%). A handful of respondents commented that they depended on tax advisers because they were busy with business or didn't understand tax laws because of their complex structures. Chi-square test results suggested that there was no statistically significant difference (Chi-square = 2.485, $P = 0.478$) between the proportions of immigrant businesses who depended on tax advisers because of confusion about tax returns, because of difficult tax legislation, or because they were busy with their business.

Table 7. 2 Reasons for dependence and choice of tax advisers

			Reason for dependence on tax adviser				Total	Fisher's exact test	
			tax return confusing	busy with business	don't understand tax law	tax language is difficult			
Tax help	in-house	Count	1	5	3	3	12	Chi-Square = 5.317, DF = 3, P = 0.035	
		% within row	8.3%	41.7%	25.0%	25.0%	100.0%		
		% within column	3.2%	25.0%	12.5%	11.5%	11.9%		
	tax adviser	Count	30	15	21	23	89		
		% within row	33.7%	16.9%	23.6%	25.8%	100.0%		
		% within column	96.8%	75.0%	87.5%	88.5%	88.1%		
	Total		Count	31	20	24	26		101

	% within row	30.7%	19.8%	23.8%	25.7%	100.0%	
	% within column	100.0%	100.0%	100.0%	100.0%	100.0%	

Table 7.2, with its cross-tabulation between type of tax advisers, in-house or contractual professional tax adviser, and the reasons why they depended on them shows that being busy with business was the major reason for appointing an in-house accountant (41.7%). For this group of respondents, it was also an inability to understand tax laws and difficult tax languages that caused them to depend on tax advisers. Those who went to a professional tax adviser thought that confusion about their tax return (96.8%) was their major concern, followed by difficult tax language (88.5%). To test whether dependence on tax advisers was independent of the type of tax-adviser, a Fisher's exact test was conducted²². Test statistics showed that there was a statistically significant difference between the type of tax advisers they choose and the reasons they needed them (Chi-square = 5.317, DF = 3, P =0 .035).

A further question that it was hoped would reveal the level of dependence was to explore how seriously business owners took the recommendations or suggestions of their tax advisers. On the question: "How seriously do you take the recommendations of your tax adviser?" 39 out of 101 respondents reported that they would take the suggestions of tax advisers very seriously. This seriousness indirectly indicated the level of confidence in, or dependence on, their tax adviser. There were some respondents, however, who indicated that

²² Cross-tabulation showed that there were four cells having an expected frequency of less than five. As a result, Fisher's exact test was more suitable than a chi-square test.

they did not take the recommendations seriously, which perhaps pointed to disagreements or lack of confidence in the tax advice.

Table 7. 3 Dependence and acceptance of tax advisers' recommendation

	How seriously do you take the recommendation of your tax adviser?	N	Mean Rank	Test statistics*
Reason for dependence on tax adviser	Very seriously	39	55.63	Chi-Square = 9.198, DF = 4, P =0 .056
	Seriously	27	46.35	
	Uncertain	12	32.13	
	Not seriously	16	25.72	
	Not seriously at all	7	14.71	
	Total	101		

*Grouping variable: how seriously the recommendations are taken

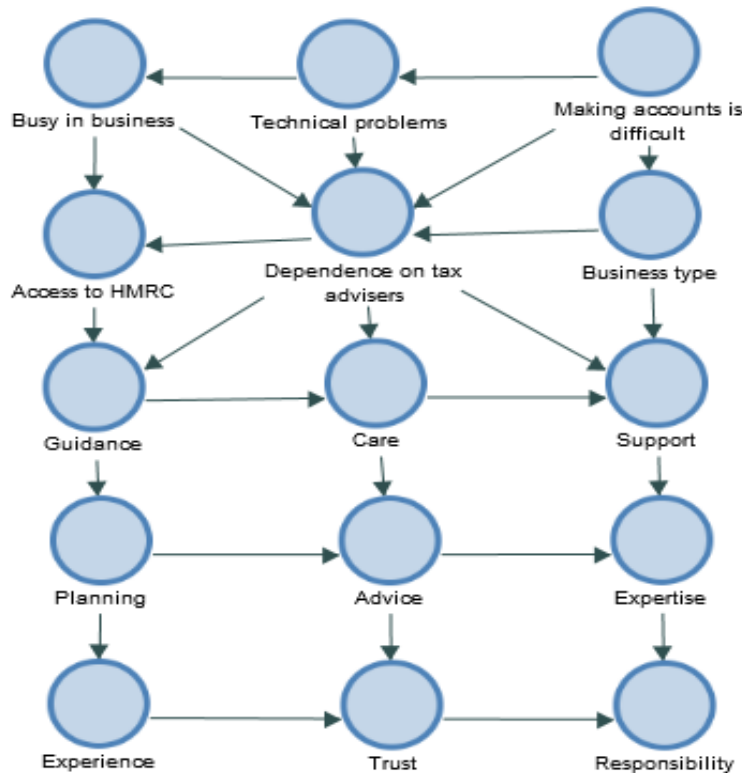
As the Kruskal-Wallis test in Table 7.3 shows, there was a statistically significant difference in the acceptance of recommendations made by tax advisers in relation to the various aspects of service business owners sought from them, (Chi-Square = 9.198, P =0 .056), with a mean rank score of 55.63 for taking recommendations very seriously, 46.35 for taking recommendations seriously, 32.13 for being uncertain, 25.72 for not taking recommendations seriously and 14.71 for not taking them seriously at all.

7.5.1 Flow of Tax Advice and Dependence Mechanism

Delving into the interview excerpts revealed several concepts, as mapped in Figure 7.1, that reflected how dependence on tax advisers grew in the everyday business of immigrant communities. Whether or not to depend on a tax adviser initially reflected being influenced by the legal and technical difficulties faced in making a tax return and the account-keeping process. The level of technical difficulty, however, depended on the nature of the business: for example,

complexities in a driving business were likely to be different from those in a catering business.

Figure 7. 1 Dependency framework in ethnic tax practice



Source: Candidate's own figure created from interviews with respondents

A concomitant reason for dependence is the busyness of business life for the main man in a family business, where most activities are planned and managed by one person or a handful of people. Despite the busyness of business life, and the legal difficulties, a business owner could attempt to do a tax return on his or her own if there were sufficient free advisory services on tax and accounting along with helpline facilities. The following observations are worth noting:

I have some accounting knowledge, based on my university degree, and so does my wife, but still we like to go to the

accountant. Because we are busy, it's difficult to prepare the accounts. (BO15)

It is very difficult to communicate with HMRC as the call centre staff are not well trained in accounting or tax law. Previously, senior officers were assigned to answer complex tax inquiries and investigation. Now they are mostly replaced by tax collectors who do not understand tax calculations. (TA03)

As shown by the comment of the above tax adviser (TA03), it is not only the taxpayers, but often the advisers, who call the call centre for advice. It might be because they lack current information about a tax code or need to talk on behalf of their client. Furthermore, some respondents stated that the tax administration not only imposed tax on them: it also expected that they should learn tax and accounting or pay an accountant to work for them. Criticizing this, one respondent (BO09) stated, "In fact, HMRC does not want to make the tax accountants unemployed. If the tax law was simple, many tax accountants would lose their job. It would create a further burden on the economy." Supporting this, a professional tax adviser (TA12) commented that many accountants had taken up this profession because they could not find anything else to do.

Respondents claimed that dependence on accountants often came naturally. "I go to an accountant, because they are there," (BO09). It became a tendency, an inclination or a propensity programmed into their body and mind to seek tax support, perhaps because of a belief in the *symbolic power* of the tax advisory profession. The source of such symbolic power in tax advice is the advisers' cultural capital, i.e., their knowledge of accounting and taxation. Ebrahim (2003: 17) notes that with the symbolic power, "the 'expert' enters, as an individual or

group that is socially sanctioned (e.g. doctors, lawmakers, teachers, development consultants), to determine what is right and what is wrong.”

Referring to Bourdieu, Christoforou and Laine (2014:8) comment that inequality of capital is the source of power, and in economic decision-making, “technical and power issues can be very hard to disentangle.” Bourdieu clarifies that any capital, cultural or economic, can turn into symbolic capital when it is recognized and valued in society (Lebaron, 2014), and “symbolic productions possess the ability to exercise another kind of power”, i.e., symbolic power (Paolucci, 2014:64). In Bourdieu’s (1992:170) own words, “Symbolic power, a subordinate power, is a transformed, i.e. misrecognizable, transfigured and legitimated form of the other forms of power.”

Absolute dependence on the symbolic power of tax advisers was well manifested in the comment of one respondent (BO06), who stated that, “When I have a problem in tax payment, *I always think* that that is solvable by tax advice or planning and my accountant can help me with that.” Respondents thought that small businesses depended on advice as a matter of routine, and since giving tax advice was their business or profession, advisers were likely to have professional expertise. Some others thought that dependence on accountants came from the trust taxpayers placed in them. In the interviews, trust emerged as an important ingredient that held the client-tax professional relationship together. One respondent (BO13) observed, “I have a great trust in my accountant. I feel that I should learn the tax law, but there is an accountant who helps me. I wish I could have an accountant of my own for my business.” The role of trust was also highlighted with expressions like “I believe” (BO04) or “I depend” (BO12) used by the respondents in describing their relationship with their advisers (see Section

7.5.5 for further discussions on trust and cooperation in the tax professional-client relationship).

Immigrant businesses with higher economic capital, measured in terms of business capital, tended to depend more on in-house tax advisers than on a hired one, because of the volume of business activities or their financial ability to afford one. The exploratory interviews suggested that three business owners had an in-house accountant, in addition to hired tax advisers who would finalize the tax return. All of them had future plans to employ a dedicated tax accountant who could manage all tax and accounting functions without the need of an outside tax adviser. A business with an in-house adviser would not only dominate in tax matters, in comparison to those depending on hired advisers, but would also enjoy a higher possibility of increased tax savings and after-tax return on capital. Seen from the Bourdieusian perspective, having an in-house tax accountant could be equated with the organizing of legal and technical strength, or domination, in the tax field by economically solvent businesses. Too much dependence on external accountants might cause loss of business secrets and exposure to business competition. In the Bourdieusian philosophy, accumulation of resources and attainment of domination require a fine-balancing between them.

Alternatively, one might argue that smaller amounts of economic capital, i.e., the cost of maintaining a fully-fledged tax and accounting section, were sacrificed by some businesses to earn higher amounts of economic, and/or perhaps cultural, capital (i.e., reduced external dependence might mean increased tax knowledge or cultural capital). Tax knowledge can be a rich source of cultural capital for business. This is because knowledge and technology, tax knowledge and tax

software included, are important parts of business culture which enable businesses to take advantage in a competitive market. Jackson (2012:106) argues that, “A business can invest in cultural capital in much the same way it can invest in reputational capital, human capital and other types of capital.” For example, a business owner (BO07) commented, “My aim is to employ a dedicated, educated accountant in the firm so that they can look at everything. If we employ someone, I reckon he will help with the tax return. It would be beneficial for the company. If I pay him 15 to 20 grand more, he will be doing other jobs as well.” But financially weaker businesses cannot afford an in-house adviser or a top-ranking adviser and pay huge money (fees). Therefore, the financial strength of the business matters a lot when it comes to deciding whether to depend on a tax adviser working on a contract or hire a permanent one and sustain this relationship in the long term.

Through mutual dependence between immigrant businesses and tax advisers, there occurs a transmutation of capital. The tax advisers, the holders of embodied cultural capital such as educational credentials in accounting and tax services, convert this into economic capital in exchange for fees. A review of the academic and professional qualifications of the 12 tax advisers, as reported in Table 7.4, shows that all of them have professional or academic qualifications in taxation and accounting.

Table 7. 4 Professional qualifications of tax advisers

Professional qualification	Country degree earned	No of participants	Field of practice
Professional degree (ACCA, FCA)	UK	3	UK and Bangladesh
Academic degree (business, accounting)	UK	3	UK only
Professional degree (CA, FCMA)	Bangladesh	4	UK only

Academic degree (Business, accounting or others)	Bangladesh	2	UK only
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All the tax advisers practised only in the UK, and mostly within the Bangladeshi or other immigrant communities, except for the three professional tax advisers who had earned their qualifications in the UK. The amounts of cultural capital described above had been earned using economic capital, and now they were being used to obtain economic returns, the usual process of conversion and reconversion of various capitals through economic capital (Veenstra, 2009).

7.6 Nature of Immigrant Business-Tax Adviser Relationship

One of the objectives of this study was to investigate the nature of the relationship between business owners and tax advisers. A critical question here was how to measure different forms of influence or power relations, if any, between the two parties. To answer this question, first the survey questionnaire on the dimensions of these relationships was analysed; and later this information was interpreted in conjunction with the interview data.

The survey questionnaire was analysed using factor analysis. Factor analysis is a statistical technique that helps with simplifying a correlation matrix by identifying the variables with high correlations from a complex set of variables (discussed in Section 5.8.2). Applying this technique, a concept is measured by assessing its underlying dimensions. Highly correlated items are considered to have a single dimension. To measure participants' perception of various aspects of influence and power in the taxpayer-tax professional relationship, 11 questions were asked. To ensure the conciseness of the questionnaire, respondents were asked to respond by indicating their agreement or disagreement with different

dimensions of formal or informal pressure they might face from their tax advisers.

The questions and their measurement scales are shown in Table 7.5.

Table 7. 5 Survey questions and measurements of variables for factor analysis

SL No.	Questions/variables	Symbols	Measurement
1	How often does your tax adviser update you about risks in tax activities? (Survey Q 26)	RiskUp	Very often – Often – Uncertain – Not often – Not very often
2	Have you ever been agitated with your tax adviser for any of his tax decisions? (Survey Q 27)	AgtAcc	Yes – No
3	How easily can you consult with your tax adviser to discuss a tax issue? (Survey Q 28)	ConAcc	Very easily – Easily – Uncertain – Not easily – Not very easily
4	Do you feel pressurised by your tax adviser to undertake risky tax activities? (Survey Q 29)	PressAcc	Yes – Uncertain – No
5	How trustworthy is your tax adviser regarding your income tax management (filing, tax payment etc.)? (Survey Q 30)	TruAcc	Very trustworthy – Trustworthy – Uncertain – Not trustworthy – Not trustworthy at all
6	To what extent do you agree that you seek tax advice due to uncertainty about income tax regulations? (Survey Q 31)	UncReg	Highly agree – Somewhat agree – Uncertain – Disagree – Fully disagree
7	How often do you feel impressed at the level of professional knowledge your tax adviser has? (Survey Q 32)	ImpAcc	Almost always – Sometimes – Once in a while – Rarely – Never
8	Do you think that it is important for a tax adviser to have a professional tax license? (Survey Q 33)	ProLic	Yes – No
9	How satisfied are you with your tax adviser? (Survey Q 34)	SatsAcc	Highly satisfied – Satisfied – Uncertain – Not satisfied – Not satisfied at all
10	Do you think that your tax adviser has sufficient knowledge of tax practice? (Survey Q 35)	KnowlAcc	Yes – No
11	To what extent does your tax adviser have an influence on your tax decisions? (Survey Q 37)	InflAcc	Major influence – Some influence – Uncertain – Little influence – No influence

7.6.1 Factor Analysis

A principal axis factor analysis was conducted on the 11 items with oblique rotations. The correlation matrix, Table 7.6, shows the pattern of the relationships between the variables. There is no variable that does not correlate with any other variables. The highest correlation is .594, and the lowest .001. There is no correlation coefficient of .90 or above between any variables; thus, there is no problem of multicollinearity. Most of the coefficients are statistically significant at $p = 0.000$ or $p = 0.050$.

Table 7.6 R-Matrix of factors

		ProLic	AgtAcc	ConAcc	PressAcc	ImpAcc	SatsAcc	KnowlAcc	UnReg	InfAcc	RiskUp	TruAcc
Correlation	ProLic	1.000	.194	.001	.164	.231	.066	.144	.040	-.064	.149	.231
	AgtAcc	.194	1.000	-.073	.266	-.310	-.255	-.340	.021	-.052	-.109	-.156
	ConAcc	.001	-.073	1.000	-.051	.147	.240	.044	.106	.872	.010	.111
	PressAcc	.164	.266	-.051	1.000	.074	-.020	-.133	.086	-.054	.244	.160
	ImpAcc	.231	-.310	.147	.074	1.000	.563	.470	-.038	.206	.103	.322
	SatsAcc	.066	-.255	.240	-.020	.563	1.000	.594	.105	.251	.131	.285
	KnowlAcc	.144	-.340	.044	-.133	.470	.594	1.000	-.029	.078	.142	.277
	UnReg	.040	.021	.106	.086	-.038	.105	-.029	1.000	.085	-.029	-.096
	InfAcc	-.064	-.052	.872	-.054	.206	.251	.078	.085	1.000	-.026	.141
	RiskUp	.149	-.109	.010	.244	.103	.131	.142	-.029	-.026	1.000	.552
	TruAcc	.231	-.156	.111	.160	.322	.285	.277	-.096	.141	.552	1.000
Sig. (1-tailed)	ProLic		.026	.498	.051	.010	.254	.076	.345	.264	.069	.010
	AgtAcc	.026		.234	.004	.001	.005	.000	.418	.304	.138	.059
	ConAcc	.498	.234		.307	.071	.008	.333	.145	.000	.462	.135
	PressAcc	.051	.004	.307		.232	.420	.093	.196	.295	.007	.055
	ImpAcc	.010	.001	.071	.232		.000	.000	.352	.019	.152	.001
	SatsAcc	.254	.005	.008	.420	.000		.000	.148	.006	.096	.002
	KnowlAcc	.076	.000	.333	.093	.000	.000		.389	.220	.079	.002
	UnReg	.345	.418	.145	.196	.352	.148	.389		.199	.388	.171
	InfAcc	.264	.304	.000	.295	.019	.006	.220	.199		.397	.080
	RiskUp	.069	.138	.462	.007	.052	.026	.019	.388	.397		.000
	TruAcc	.010	.059	.135	.055	.001	.002	.002	.171	.080	.000	

Determinant = 0.026

The determinant for the correlation table is 0.026, which is greater than the necessary value of 0.00001 (Field, 2010). To ensure the sampling adequacy of the data, the Kaiser-Meyer-Olkin measure was verified and, at $KMO = 0.583$, this is mediocre according to Hutcheson and Sofroniou's (1999) standard. The Bartlett's measure is significant, at $p < 0.001$, suggesting that the correlation

matrix is significantly different from an identity matrix. The correlation matrix shows the correlation between the variables, which is the starting point for understanding and performing factor analysis. If the variables are not correlated at all, then the off-diagonal components of the matrix will be zero and such a matrix is called an identity matrix. If we derive an identity matrix, this will suggest that the variables are independent of one another, and thus we cannot expect clusters of variables that measures similar things. The difference between the correlation matrix and the identity matrix in our case indicates that the variables are correlated, and they form a cluster (Field, 2010). The individual KMO values are produced in the diagonal of the anti-image matrix in Table 7.7. None of the values is below 0.50 and the off-diagonal values are small. Thus, all the variables can be included in the factor analysis.

Table 7. 7 Anti-image Matrix

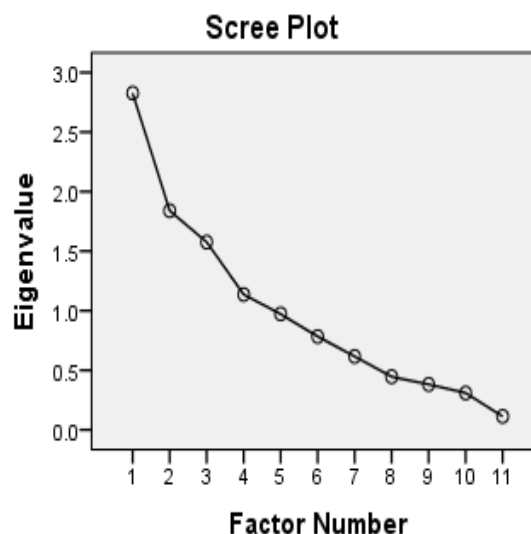
		ProLic	AgtAcc	ConAcc	PressAcc	ImpAcc	SatsAcc	KnowAcc	UnReg	InfAcc	RiskUp	TruAcc
Anti-image Covariance	ProLic	.763	-.234	-.077	-.015	-.175	.090	-.099	-.080	.090	-.019	-.110
	AgtAcc	-.234	.689	.053	-.206	.173	-.036	.117	.045	-.058	.072	.046
	ConAcc	-.077	.053	.522	.003	.047	-.044	.039	-.010	-.190	-.029	.029
	PressAcc	-.015	-.206	.003	.794	-.118	.003	.098	-.096	.014	-.153	-.041
	ImpAcc	-.175	.173	.047	-.118	.533	-.194	-.059	.083	-.061	.070	-.057
	SatsAcc	.090	-.036	-.044	.003	-.194	.788	-.237	-.117	.012	-.010	-.042
	KnowAcc	-.099	.117	.039	.098	-.059	-.237	.547	.045	-.017	-.021	-.031
	UnReg	-.080	.045	-.010	-.096	.083	-.117	.045	.928	-.012	-.003	.093
	InfAcc	.090	-.058	-.190	.014	-.061	.012	-.017	-.012	.515	.041	-.051
	RiskUp	-.019	.072	-.029	-.153	.070	-.010	-.021	-.003	.041	.640	-.311
	TruAcc	-.110	.046	.029	-.041	-.057	-.042	-.031	.093	-.051	-.311	.578

Four factors have eigenvalues over 1 and they account for 67.08% of the variance. Factor one has an eigenvalue of 2.827, which accounts for 22.35% of the variance. Factor two explains 16.72% (eigen value = 1.840), factor three explains 14.33% (eigen value = 1.576) and factor four explains 10.33% of the variance (eigen value = 1.136).

Table 7. 8 Pattern Matrix

	Factor			
	1	2	3	4
ImpAcc	.703			
SatsAcc	.759			
KnowlAcc	.745			
ConAcc		-.922		
ProLic		-.968		
AgtAcc			.622	
InfAcc			.426	
PressAcc			.449	
RiskUp				-.767
TruAcc				-.681

Figure 7. 2 Scree plot of factors



Extraction Method: Principal Axis Factoring; Rotation Method: Oblimin with Kaiser Normalization. Cut off (≥ 0.20) for inclusion of an item as a factor.

Table 7.8 shows factor loadings after rotation. Given that we hypothesized that the items might be correlated, we chose oblique rotation to run the factor analysis. The first factor consists of three items or variables: being impressed with the professional knowledge of an adviser; being satisfied with the adviser’s service; and the tax adviser’s standard of professional knowledge. The factor loadings range from -.703 to .749 for these three variables. The questions that are highly loaded on factor one relate to the different aspects of professional standards and the knowledge of the tax adviser; therefore Factor 1 can be labelled the factor representing *adviser’s tax knowledge*.

The second factor consists of two items which refer to *the ease of consultancy* and *professional licencing status* of the taxpayer, with factor loadings of -.922 and -.968 respectively. These items relate to aspects of support available from a tax adviser, which we may label as *cooperation* and *professional esteem*. The third factor consists of three items, *agitation*, *influence* and *pressure*. The factor

loadings for these items range from .449 to .622. The items that load highly on factor three relate to different aspect of power exercised by tax professionals, which we may label *coercive pressure*. The fourth factor consists of two items, *updating tax risk* and *level of trust* of the tax adviser. The factor loadings of these range from -.681 to -.767. The items that load highly on factor four relate to aspects of trust and dependence on a tax adviser, which we may label *dependence*. The scree plot indicates the number of factors to retain, and since it has four points of inflection, which matches our factor pattern matrix, as shown in Table 7.8, all four factors are to be retained.²³

These four factors to some extent mirror Freidson's (1986) findings on the professional-client relationship. According to Freidson (1986), in a formally and legally structured relationship, as in that between professionals and clients, there can be four possible interactions. First, a disagreement between them, a situation where the client may withdraw from the service and the professional loses control over them. Second, the client's service expectations can only be met by conforming to the professional's suggestions, so the client acquiesces to the instructions of the professional. Third, the desire of each of the parties conforms to that of the other, whether their underlying logics are the same or different. Fourth, the client's expectations differ from the professional's, but the client is persuaded by the professional. In the next section, we shall explain the four factors of the relationship with the help of the interview data.

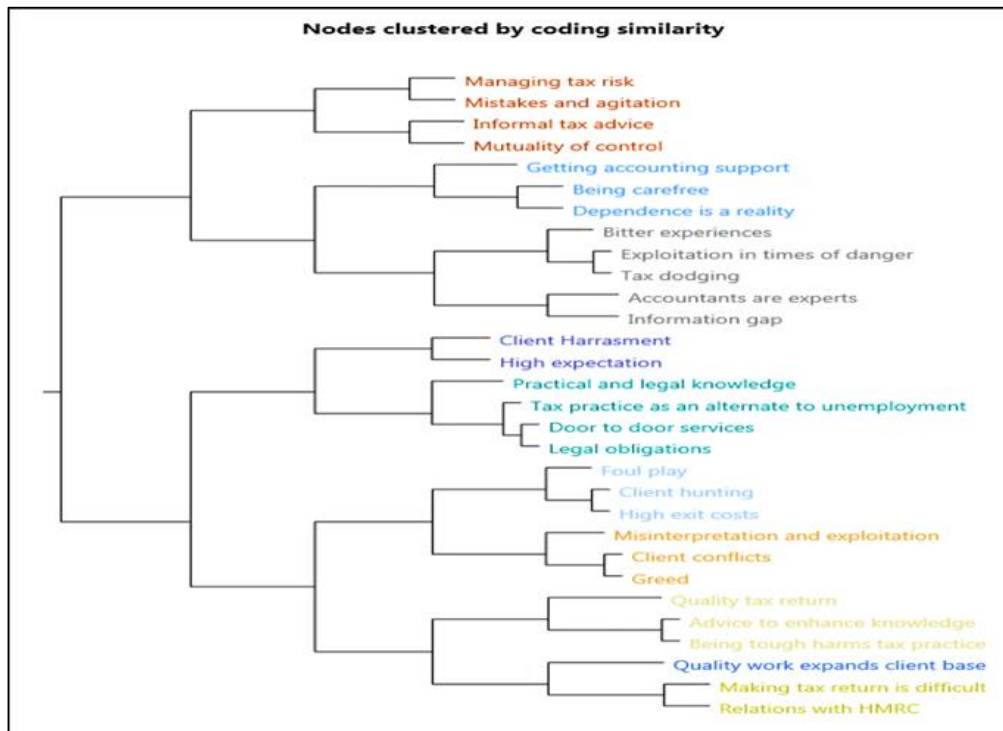
²³ Cronbach's alpha for the subscales on factor 1 was .739, for factor 2 it was .621, for factor 3 it was -.696 and for factor four it was .710. The reliability for all the factors was good. However, the negative alpha value for factor three indicates that items in this subclass were reverse-phrased. Field (2010: 675) notes, "For factor analysis, this reverse phrasing doesn't matter, all that happens is you get a negative factor loading."

7.6.2 Cluster analysis of Interviews

To identify the codes, words, phrases or sentences expressing 'power', 'control', 'questions', 'advice', and 'influence' in the interviews were selected first. These were then categorised and summarized to group them into similar classes or clusters. The categorization of themes was organized around the major aspects of the taxpayer-tax adviser relationship, which could be supportive or exploitative in nature. In the subsequent phase, these themes were explored to understand the overall pattern of the relationship.

As the dendogram in Chart 7.1 illustrates, the first cluster consists of four related nodes, *managing tax risk*, *mistakes and agitation*, *mutuality of control* and *informal tax advice*, all of them indicating aspects of uncertainty in tax risk management. Interpretation of these nodes reveals that small businesses mainly seek professional advice to reduce tax risk in return filing. An inaccurate tax return not only involves additional paperwork but also increases the likelihood of higher tax risk and penal action from the tax authority. In the interview, one business owner observed with agitation that his tax accountant had made a mistake in his tax return, which prompted an HMRC investigation and yielded additional taxes payable. To manage tax risk, business owners act jointly with tax professionals in the preparation, filing, reporting and remitting of tax. If the tax professional disagrees with the proposed income declaration, business owners leave the tax return to a decision by the accountant rather than taking a risk on their own.

Cluster Chart 7. 1 Cluster analysis of nodes by coding similarity



The next cluster contains three nodes relating to aspects of quality support – *getting accounting support, being carefree and dependence reality*. “Sound accounts and complete documents are the backbone of tax returns,” as one tax accountant stated, “but making them proper and consistent with the requirements of tax law is a tedious job. Small businesses prefer a practically experienced person who can back them up at a low cost.” The adjoining cluster of *bitter experiences, exploitation and tax dodging*, however, indicates aspects of power or influence occurring as a cluster interacting with the feature of quality support. In cluster analysis, the dendrogram not only reports the related concepts but also describes the intersections between co-occurring concept groups (Yousef et al., 2015).

The power cluster suggests that dependence on tax professionals may often be troublesome when the professionals impose unfavourable business terms and

conditions on their clients. In explaining this professional attitude, some respondents attributed it to the non-mandatory licencing requirement for practicing tax that makes practitioners unaccountable to clients. They argued that small business accounting and tax service was not a well-paid profession. To survive in this profession, it was often necessary to exploit the clients financially. Bradley (2004) finds that professional practitioners in immigrant communities (i.e., doctors, lawyers etc.) take advantage of the ignorance of their customers and monopolize their business. One tax adviser (TA02) explained the nature of such exploitation in the following way:

In the beginning, when the clients come, tax advisers don't say anything about service fees to pay. They ask for a minimum fee, so that the client is in. When the contract has been signed, they start to exploit them [the client] by saying this and that. Sometimes, they use references to tax inspectors and HMRC, saying that there is a chance of being caught for a certain tax situation, but that can be managed if the accountant takes some action or provides a supporting paper. (TA02)

Thus, there can be exploitation in two ways. First by imposing hidden fees beyond the agreement that was made between the two parties; and second by exaggerating the threat of HMRC action. This respondent further commented that small business accountants were almost free-birds, having no strict regulations binding them. This concern about professional standards in small business accounting practices indicates that the relationship between clients and tax advisers can be exploitative and harassing. A small business owner made a very strong case about financial exploitation:

My accountant has no professional degree, which I came to know later. In one year, I had a tax of £27,000; then he said that he could

reduce the tax below £20,000 if I gave him £4,000 over his fees. So, I agreed, and he helped. Later he asked me for more money, saying that there may be an inquiry from HMRC. This time I did not respond. He then asked for the password of my HMRC online account which I gave him on trust. With that he went to my account and applied for a VAT refund without informing me. (BO10)

Those who come to the tax accountant know nothing of the tax law. And it's very easy to exploit them. I know there is an exploitative group of accountants. (TA07)

Interviews with the respondents revealed that this exploitative tax practice could get worse when the clients wanted to fire the adviser and hire a new one. Usually, in such cases, they were faced with high exit fees and refusals to hand over past records and documents. Sometimes the tax advisers threatened the clients with disclosing secret business information to the tax authority. These comments from small businesses suggested that following their own interests through exploitation and deliberate misinterpretation of the law could be habitual conduct in small business tax practices. What the tax advisers failed to understand, as some respondents commented, was that it was high quality and intelligent solutions to tax problems that retained and expanded practitioners' client bases, not the use of coercion.

7.6.3 Power and Domination in Professional-Client Relationship

In Bourdieusian thought, power is not always crude and coercive. Power can be benign and can be “replaced with persuasion, consent, choice, influence, and negotiation,” (Swartz, 2010:58). In an organizational or social relationship, power is used as an organizational force rather than a threat or a pressure. In professional tax practice, the presence of exploitation, as discussed above, suggests such benign power may also be used. The three major nodes, control,

influence and power, were identified and summarized from the interviews. Interpretation of the related narratives showed that coercive tax practice was implicit and context-dependent. It did not happen on a regular basis. The following observations uphold the meaning and context of coerciveness in professional tax practice:

We terminated our accountant because one of the directors had arguments with him about our net tax payment. The accountant was good initially, but later he was trying to control all our tax issues without consulting us. (TA10)

If you go to a Bangladeshi or Asian accountant, they will start with an initial fee as it is fixed. But later, they will ask for more, and at the end of the year, you may find that the bill you have paid has been doubled or in some cases tripled. This is a professionalized bureaucracy they are practicing. They will say to you that the steps in return-filing are easy, but once you complete the agreement they increase the number of steps. (BO09)

There are accountants who influence clients to undertake a certain tax position and take risk. Many clients have told me about this, and I also sit as a tax adviser on a community-based Bangla radio channel where many people ask this type of question. (TA08)

We have many misunderstandings with the accountants. Sometimes they demand documents which are not relevant. The accountants provide service for money. They don't seem to care much about professional reputation. They always consider the benefit they can earn from the client. (BO14)

The business owners' comments suggest that in an economic relationship like that with a tax professional, power and violence, as in the Bourdieusian vocabulary, are inherent. The only exchange that matters in such a relationship is the professional fee, based on negotiation. One of the above respondents

(BO09) use of the term “professionalised bureaucracy”, which, as Currie et al. (2015:1292) explain, is an organisational arrangement, “where professionals represent peer interest, rather than organisational interest” or public service.

If tax is viewed as a tool of social control and surveillance (Poupeau, 2014), tax advisers, as one business owner (BO09) comments, act as an intermediary between the tax administration and the taxpayer. In relation to the performance of this role, Fogarty and Jones (2014) comment that tax advisers can exert pressure or be “loose cannons” in auditing client documents before sending them to the tax department. One tax adviser in Fogarty and Jones’ (2014:294) study stated, “I’ve had... client situations where I sort of felt like I was being bad cop.” Inability to pay a proper fee, irrespective to the quality of service, may lead to rejection of clients. The position professionals take in the tax field, and the gatekeeping power they hold (Parnaby,2009), compared with the under/uneducated immigrant business owners, allow them enjoy domination over tax clients. Hak (1994: 472) argues that the client will find that his or her relationship with the tax professional ultimately rests on the authority of the professional, “with the effect that he or she has little choice but to accept the practitioner’s opinion”.

Establishing domination becomes more likely when tax clients have weaknesses or errors in their accounts, for example, when expenditure exceeds income. Above all, tax law relates to shifting economic capital from one social agent, i.e., the taxpayer, to another i.e., the state, and in such a shifting process a wrong account or a defective tax return gives much power of abuse to the adviser. “When I had a problem with HMRC, my accountant was playing foul with me. Smelling that there may be complexity and problems in my tax file, he felt that

there would be an opportunity to earn more fees,” as one respondent (BO08) observed. The cognitive structure of tax professionals is so well furnished with tax and accounting knowledge, compared to that of their clients that it may cause them to think that taxpayers are too “uncultured or stupid to notice the domination to which they are subject,” (Poupeau, 2016: 221). Respondents in the interview resented that professionals used tough language when it came to signing the checklist declaration with the tax return to reduce their professional risk. The tax professionals knew that tax practice was an esoteric phenomenon for the taxpayers (Tan, 1999) and clients had almost no ability or knowledge to challenge the culture of tax practice. This seemed an accurate picture when one professional tax adviser (TA09) commented, “Only a few people can prepare their accounts and only a very few can do the tax return by themselves.”

In the working of the power relations, the positions of the tax advisers and their clients in the social class structure becomes a crucial factor. The positions tax advisers hold in their professional hierarchy have a corresponding equivalence in the social hierarchy of the clients, and this is called “structural correspondence” (Swartz, 1997). If an adviser’s class position in his social hierarchy is higher than the corresponding position of a tax client, it becomes easier to exercise power over the client than if a tax client has an equal or higher social class position. There was evidence, both in the survey and the interviews, that some respondents had a conflictual relationship with their advisers which was a cause of agitation between them. For example, 46% of respondents in the survey reported that they had been in an agitation with their tax advisers. In interpreting the nature of this agitation, the respondents referred to the corresponding class position and the emergent power relations with the tax advisers. The comment from the respondent, BO09, a community leader and a business owner, that he

received extra care and honour from his tax adviser due to his social position and grievance expressed by another respondent, BO11, that the accountants are more supportive to the large businesses than the poor bolster such findings.

In the interviews, there was evidence that some business owners had control over their tax advisers; but in some cases, on the other hand, advisers held power over clients, which reflected a structural opposition in the tax professional-client relationship (Swartz, 1997). According to the tax advisers, as TA01 explained, such a conflict was the result of a normal agent-principal gap. The accountants were the agents of the taxpayers. The principal-agent relationship always suffers if there is mistrust and suspicion. For example, the principal may be anxious about whether the agent is passing irrelevant information to HMRC, which could result in a higher tax burden.

7.6.4 Professional Knowledge and Domination

Being knowledgeable and being able to produce tax-reducing management techniques, as tax professionals do, may define the boundary of relational domination. Bourdieu (1998) comments that the relationship of domination is based on knowledge, communication and recognition. Tax professionals achieve professional knowledge by accreditation with professional bodies, or with academic institutions, as shown in Table 7.4, which brings them recognition and scope to use symbolic domination. This expert status, even when not justified, is highly valued by the undereducated immigrant small business owner, to whom any person with technical abilities is an expert (Ebrahim,2003).

Some respondents believed that “every field has some specialized knowledge” (BO08) and that the tax field was no exception. They thought that it might be possible, as a layman, to know some of the law, but not the whole of it, as tax

professionals did. This respondent stated that if someone had a specialization, then he was to be consulted; and that was not just the case in the tax field but in any field. Specialized knowledge bestowed the ability to speak with authority, although tax professionals had no right to impose anything beyond the client's wish. This observation contradicted the earlier findings reported in Section 7.5.2, which suggested that tax professionals wielded coercive power as a result of their professional expertise. This contradiction also suggested that the tax field and the relations between the actors in it were far more complicated than one might imagine, and could not be reduced to one simple explanation. The tax advisers' authority over their clients could also be understood by how their skills and qualifications related to their profession. An accountant does business with his pre-existing expertise, training and credentials (Bradley, 2004); but other businesses may be unrelated to the educational or occupational background of their owners. Allen (1991) comments that state licensing of tax skills and specialist tax knowledge empower professionals to gain strategic control and occupational domination over clients.

Further, if Bourdieu's field means "production, circulation, and appropriation of goods, services, knowledge, or status" as Swartz (2010: 48) reminds us, then tax knowledge becomes a stake in the struggle for field domination and accumulation of capital. One respondent (BO09) made this clear by commenting, "Even if you want to evade tax, you must have the knowledge," indicating that tax evasion could be used as form of capital accumulation. Spire (2011, quoted in Poupeau, 2014) shows how tax avoidance by the rich gives them access to more financial and institutional resources. It is a common belief among accountants and among immigrant businesses that it is only professional knowledge, and standard and quality of service, that works as a real source of domination and client-hunting:

“The best way to influence a client is to win the case in the tax appeal forum. So, you must know law, accounting, and their interpretations and meaning”, as one tax adviser (TA03) observed.

The distinct and authoritative knowledge of professionals (Wilmott, 1986) permits them to undertake taxation services and establish a strategic control over them (Parnaby, 2009). Parnaby (2009) argues that the role of a professional is that of an “intermediary” and the source of such a role is the proprietorship of specialized knowledge and training.

A few respondents commented that the only reason they changed accountants was because of low quality advice or major flaws in return-filing. One business owner commented that in last six years he had replaced three accountants because of their lack of up-to-date tax knowledge. This comment was supplemented by that of an accountant, who said that a quality check on each return is an essential function of tax risk management. A leading tax adviser and professional accountant (TA11) explained this, saying that “We sometimes refuse a client if there is a gap in our understanding of his accounts. This is because, I am affiliated with the ICEAW. Sometimes ICEAW representatives come to see what I have been doing with my clients. They may check any file and if they find any real problem they may take action.” Another tax adviser (TA09) commented, “There is a professional penalty or cancellation of licence if there is any misdoing or misinterpretation by accountants.” Therefore, if the business owner’s disclosure is perfect, tax professionals have the least control or influence over him as a tax client. Tax professionals argued that they did not have any legal authority over the clients. At best, they could issue a warning letter to alert the

client to rectify errors in a case of non-cooperation. Forcing clients was risky; it might backfire, as one accountant observed.

7.6.5 A Relationship of Cooperation and Trust

An inescapable feature of a tax adviser-client relationship is cooperation. The ability to cooperate depends on shared values, mutual trust and understanding of each other's goals. In a community tax practice, local immigrant businesses are not unknown to advisers. A community tax practice develops through the network of family, friends and neighbours, who form the stock of social capital. It is not only a professional relationship but a social or family relationship that builds on common norms and social control. The social bond makes tax compliance and risk management a "reciprocally confirming relationship" (Fantasia, 2010:36). Grenfell (2008) notes that trust, cooperation and collaboration are integral to the cultivation of social capital. In immigrant communities, trust and cooperation can positively stimulate mutual benefits.

Once in a relationship of commitment and attachment, people become cooperative rather than competitive (Sayer, 2010). Cooperation is not only a requirement of ethnic tax practice but a requirement for managing competition in professional tax advice. Tax professionals know that clients will leave for other advisors if they are not well treated. A professional tax adviser (TA12) stated that losing a client was losing business, which made him and his colleagues very careful in dealing with clients. Another tax adviser (TA09) thought cooperation was the sole basis of tax practice: "If someone does not cooperate, I just say to him, I cannot help you, please take your papers and find someone else." It was argued by both taxpayers and tax advisers that lack of trust created misunderstanding and difficulties in tax compliance actions. Small businesses

believed in their accountant “as if he performed prayers behind the Imam²⁴, as long as he does not take us in a wrong direction,” (BO04). Minority immigrant communities, “caught in the middle” of black and white immigrants, as Light (2005: 650) points out, have to employ cooperation as a means of survival.

To the clients, it is respect and professional integrity that keeps them doing business with an accountant rather than disbelief and disregard. For immigrant business owners with low or no education, it becomes a necessity to work within a framework of cooperation and trust, as explained by the following business owner.

On tax matters, I do what my accountant asks me to do. The tax operation is a secret job that we decide with our accountants, and it's not possible to discuss these things without his consent. I am solely dependent on my accountant because I don't have much education on this. (BO12)

Cooperation in Bourdieusian terms is not a free gift, but is based on rational choice, with both the parties having something to exchange to strengthen their relationship.

I help my accountant with my business, provide him with free printing and packaging services, and he takes care of my tax file. It's a kind of barter system. I am never charged more than the initial fee we settle at the beginning. We have some mutuality in trading. (BO09)

The reciprocity between business owners and tax advisers in the above example can be explained with the help of Bourdieu's concept of the economy of symbolic goods that “deals with the ambiguity of practices in gift-giving,” (Adolff, 2016:10). In the exchange of gifts, the barter is concealed, and the parties involved feel it as a selfless individual act. The business man who is giving free printing services

²⁴ Someone leading prayers in Islamic tradition.

to his tax adviser is not calculating the benefit he might derive from such an action; nor are they parties to a collusive alliance on tax evasion. It's just a "mutuality of trade" as the respondent termed it, to develop stronger social bonds and communication. However, there is nothing that is fully free. In an exchange of free services, the taxpayer receives extra care and support on his accounts and return filing without paying any additional or exploitative fees, which accrues to him as a symbolic surplus. Adloff (2016) adds that a cooperation-based relationship generates reciprocal obligations and a positive response towards one another.

Some clients may, however, be treated badly and have a trust-shattering experience: for example, an accountant submitting a VAT refund application to HMRC from the client's online account without his knowledge (discussed in Section 7.5.2); leaving the client stranded at the time of a critical HMRC inquiry (discussed in Section 7.5.3), or even running away with client's tax money (discussed in Section 7.5.6). If there is lack of reliability, or there is mistrust, as stated above, then the solution is to change the accountant, "Then I decided to change him," as one respondent (BO08) commented. Accountants can also be changed on grounds of questionable accounting practices. An in-house tax adviser (TA10) stated, "We don't do anything greyish in our accounts because we had a few times when there was a VAT and income tax audit from HMRC. So, we changed the accountant."

7.6.6 The Relationship Matrix: Summarizing Qualitative Data

In this section, respondents' observations are pooled and summarized through a coding matrix to describe and compare the prevalent types of relationship among them. The matrix, Table 7.9, lists the business owners and the accountants in

column one and the major themes emerging from them in row one. The number in the matrix cell refers to the frequency, or the number of times, a word or comment is mentioned by a respondent. A zero cell implies that there was no comment from a respondent about the theme in question.

Nine codes represent various features of power and domination in the immigrant business-tax professional relationship. Some respondents from the business community stated that they had had bitter experiences dealing with tax advisers. One respondent (BO02) stated, "Sometimes, the accountant absconds with the tax money. It happened with a ... (one South Asian accountant) in Edinburgh. He was not a certified accountant, just a book-keeper who was doing the business out of experience. The clients asked him to pay the taxes on their behalf and trusted him with their money, to deposit with the treasury. The accountant ran away with the money." Such an observation is coded as "bitter experience", as shown in the table. Respondents in the business owner category, such as BO04, BO09, BO12 and BO15, mentioned bitter experiences in their interviews, while other business owners did not have anything to say about this issue. Understandably, there was no tax adviser who acknowledged or accepted such an event.

Table 7. 9 Coding matrix on the diverse nature of tax adviser-immigrant business relationships

Respondents	Power and domination									Trust and cooperation											
	Bitter experiences	Exploitation	Client harassment	High expectation	Foul play	Client hunting	High exit costs	Misinterpretation	Client conflicts	Managing tax risk	Right tax advice	Mutuality of interest	Accounting support	Being carefree	Dependence	Experts knowledge	Understanding	Cooperation	Right Advice	Mutual trust	Quality work
BO01	0	0	0	0	1	0	0	0	1	1	0	0	0	0	1	0	0	5	0	0	0
BO02	0	0	1	0	0	1	0	0	1	0	1	1	2	0	0	0	0	0	0	0	0
BO03	0	0	0	0	0	0	0	1	0	2	0	0	1	1	0	0	1	0	0	2	0
BO04	1	1	1	0	1	0	1	0	0	3	0	0	0	0	0	1	0	1	0	0	0
BO05	0	1	0	0	0	1	0	0	1	0	0	1	2	0	0	0	0	0	0	0	0
BO06	0	0	0	1	0	0	1	0	0	0	1	0	1	1	1	1	1	4	0	0	0
BO07	0	1	1	1	0	0	0	0	0	2	0	0	0	0	0	1	0	0	0	2	1
BO08	0	1	0	0	1	1	1	1	0	0	0	0	0	1	0	0	0	3	0	1	0
BO09	1	1	0	0	0	0	0	0	0	1	1	1	0	0	1	0	0	0	0	0	0
BO10	0	0	1	1	1	0	0	0	0	0	0	0	0	0	0	0	1	0	0	1	0
BO11	0	0	1	0	1	2	0	0	0	0	0	1	3	2	1	0	0	0	0	0	1
BO12	1	1	0	0	0	0	0	1	0	1	0	0	0	0	0	0	1	2	0	1	0
BO13	0	1	0	0	0	0	0	0	0	0	1	2	1	0	0	1	1	0	0	0	0
BO14	0	0	1	1	0	0	0	0	1	0	0	1	1	1	0	0	0	0	0	0	0
BO15	1	2	0	0	0	0	0	0	1	1	0	0	0	0	4	1	1	1	0	1	0
TA01	0	0	0	0	0	1	0	0	0	0	0	3	0	0	0	1	1	0	0	4	0
TA02	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	1	0	3	0	0	2
TA03	0	0	0	0	2	0	0	0	0	0	0	1	1	0	0	0	1	0	0	0	0
TA04	0	0	0	0	0	0	0	1	2	0	0	1	1	0	0	1	1	1	0	1	0
TA05	0	0	0	1	1	0	0	0	0	1	0	2	0	0	0	1	0	1	0	2	1
TA06	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0
TA07	0	0	0	0	0	0	0	1	1	1	0	0	0	0	0	0	2	0	0	0	0
TA08	0	0	0	0	0	1	0	0	0	1	0	0	3	0	0	3	0	0	1	1	0
TA09	0	0	0	0	1	0	0	0	1	0	0	1	2	0	0	0	0	1	0	0	1
TA10	0	0	0	1	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	4	0
TA11	0	0	1	0	1	0	0	0	0	1	0	2	2	0	0	4	0	0	0	0	1
TA12	0	0	0	1	0	0	0	0	1	1	0	0	0	0	0	1	0	2	0	3	0

Notes: B – business owners; T – professional tax advisers; numbers in the table refer to the frequency a sub-theme (code) was mentioned by the respondent.

Another theme that emerged from the business owners' interviews was "exploitation" in times of danger. They stated that sometimes advisers abandoned the client if there was a tough tax enquiry likely from HMRC. Then came "client harassment" as a major example of power and domination in their relationship. Interestingly, one professional tax adviser (TA11) acknowledged there was client harassment, as did business owners BO02, BO04, BO07, BO10, BO11 and BO14. Other themes indicating use of power and domination included expectation of high fees, foul play, client hunting, high exit cost, misrepresentation of clients' business accounts and conflicts.

On the other side, there were 12 themes that indicated trust and cooperation in an effective taxpayer-client relationship. There were several business owners and tax advisers who opined that managing tax risk and getting proper accounting support sustained their relationship in the long-run. For example, there were six business owners, BO01, BO04, BO06, BO08, BO12 and BO15, and five tax advisers, TA02, TA04, TA05, TA09 and TA12, who argued that cooperation was the basis of the professional-client relationship. Some of them mentioned its importance more than once. Respondents placed the same level of emphasis on trust, correct advice and quality of work in making such relationships meaningful and productive.

In summary, two patterns are worth noting from the matrix about the nature of relationships: first, the existence of power and domination, which was mainly a concern of business owners rather than of tax professionals; and second, the existence of trust and cooperation, which almost equally concerned both small business owners and tax professionals. The frequency of comments indicates that a relationship of cooperation and trust was more prominent than one of power

and domination in community-based small business tax practices.

7.7 Which Kind of Relationship is More Active?

A common challenge in a mixed-methods approach is how to combine the findings of quantitative and qualitative data. According to Morgan (1998), the objective of mixed-methods may be integration or explanation. In this research, one set of data was used to triangulate and interpret the findings of the other set of data. For example, the survey data showed the correlation between aspects of relationships, as presented in Table 7.6, but could not offer any contextual interpretation of those relationships. In this case, qualitative data could provide an explanation of why they were correlated by narrating the comments and arguments made by the respondents in the in-depth face-to-face interviews. Therefore, the roles of quantitative and qualitative data were complementary rather than competing.

It can be argued, based on findings from the factor analysis of survey data and the coding matrix of interview data, that there exists both projection of power and cooperation in relationships between small immigrant businesses and their tax practitioners. The main observations of the integrated data are twofold: first, small businesses depend on quality tax advice, due to the uncertainty they face in the discharge of their tax obligations; second, tax advisers often use their influence on small businesses to make them follow their instructions, mainly in order to expand their client base and to generate higher professional fees.

The interview data revealed that the small businesses' main concern was to handle the uncertainty they experienced in dealing with their tax position, for which they expected quality tax care and support. Some of the small business owners had a good understanding of tax law but they seriously lacked any

knowledge of book-keeping and accounting. Knowing tax law and their interpretation of it took them only half way to tax return filing. Without sufficient knowledge of the classification of financial transactions, and the methods of recording and summarizing these, dealing with tax risks was difficult. This observation was supported both by the small business owners and by the tax professionals. The findings from interviews also showed which aspects of quality accounting support reduced uncertain tax conditions. Satisfaction with tax advice, accounting knowledge and consultancy were some of the factors that emerged as the important aspects of taxpayer-tax professional relationships.

With respect to power-based or pressure-oriented relationships, the interview data illustrated that client domination and client constraints were the main two channels for controlling clients. This observation mainly arose from small business owners, but was supported to some extent by some tax advisers. It was revealed in the discussions that some clients had had bitter experiences in managing their tax risks, with tax professionals demanding high fees, particularly in times of precarious tax positions. They also suffered from deliberate misinterpretation of the tax law and the client-hunting attitude of tax professionals. Due to the manipulative attitude of some tax advisers, small businesses had to adopt and put into practice the tax practices that were suggested to them.

A widespread problem for most small businesses was that it was difficult to move away from a tax professional if there was any dispute over the tax bill. It was understandable that client harassment or conflicts were less likely to be acknowledged by the tax advisers, since these were not part of their professional mandate. Sometimes a huge exit fee was charged, or important documents were not returned, so that clients would decide to stay with, or come back to, the

practice. Supporting this complaint from small businesses, the quantitative component of the data analysis offered evidence that aspects of professional influence did exist in tax experts' dealings with tax clients. Factor analysis results showed that features like pressure by accountants or disagreements with accountants got high factor loadings.

7.8 Chapter Summary

To the answer of the second main research question: "How is tax risk managed in the Bangladeshi small business community?", this chapter has argued that how immigrant communities manage tax risk depends on who they know in the society and who they are in their social world they live in. Immigrant businesses are less aware of new tax system, and may have inadequate or no tax knowledge. A well-connected immigrant business has wider opportunities to discuss and plan their tax compliance actions. Bangladeshi community businesses are largely limited to community accountants for tax advice, which enables a free flow of information between the two and an understanding of the level of risk they may take. This chapter has shown that response to, and management of tax risks, to some extent, are culturally determined. Since Bangladeshi immigrants mainly network with accountants through friends and community members, their tax risk management practices are mainly shaped by this micro and inward-looking social circle. This chapter has further shown that tax advisers play a critical role in introducing and explaining the taxation process, as well as undertaking the formal legal process of tax-return filing. Their relationship with their clients may be cooperative or power based. Use of power was a concern more likely to be mentioned by immigrant business owners than by tax advisers; while a

relationship of cooperation was sought by both parties in effective management of tax risk and compliance.

Chapter VIII

Tax Habitus of Immigrant Businesses

8.1 Introduction

The purpose of this chapter is to answer the third main research question: “What is the tax habitus of small Bangladeshi family businesses in the UK?” Using Bourdieu’s concept of habitus as an analytical tool, we shall examine how immigrant businesses reproduce tax compliance in their everyday lives in the host community. In order to do this, this chapter will first assess the attitude of the immigrant businesses to the UK tax system in section 8.2. It will then investigate the role of taxpayers’ cultural and socio-economic conditions in developing perceptions about tax compliance attitude in section 8.2.3. In section 8.3, the chapter will explore the ways their racial and ethnic identities influence on their perception making about tax compliance and in section 8.4, the link between taxpayers’ morality and ethics and tax habitus. Finally, the chapter will discuss tax habitus from the viewpoint of taxpayers’ social class positions in section 8.5 with the chapter conclusion in chapter section 8.6.

8.2 Immigrant Businesses and Their Attitude to Tax

In expressing their attitude to the UK tax system, the survey respondents for this research commented freely on tax complexities, tax risks, tax evasions and tax compliance. In the interviews, most respondents indicated that, to them, obeying the tax system and being compliant with tax laws was very important. This obligation did not arise from the legal system as such: rather, they felt that to make their earned income safe, and halal, i.e., permissible to use, they should file tax returns on time. Some respondents argued that, to be compliant with the

tax system, what one needed most was the right attitude and loyalty to the state.

The following comments from respondents are worth mentioning:

I want that my establishment is based on honesty and truth. That's why I have re-invested a lot of money; otherwise I could have done lot of silly things. That's not my aim, my aim is to make sure that everything is done according to the law and this way I feel that I make money in a halal way. (BO07)

In complying with tax, nothing is problematic or difficult, if you have the right attitude, which many people don't have. (TA04)

Both respondents, despite coming from opposing professional backgrounds, one a business man and the other a tax professional, highlighted tax attitudes as a crucial factor in compliance generation. The tax professional, however, contradicted the business man, commenting that many taxpayers lacked a proper attitude. Some tax professionals believed that a game-playing mentality, i.e., challenging the tax system, the Bangladeshi legacy of poor tax culture, and the tendency of immigrants to return home, might have affected their tax attitudes (elaborated in Section 8.2.1).

A respondent commented, "Tax compliance becomes complex when one does not want to comply and looks for an opportunity for non-compliance. We undertake many hidden or clandestine business operations to avoid tax liability. Anything done in the dark is supposed to be complex," (BO12). This comment was elaborated on by another respondent (BO05), a former chef, now a restaurateur and a professional taxi driver, who said that, "almost every night we used to burn receipts on the stoves so that we were not caught by the tax man."

When a sales receipt was burned, the related purchase receipts were burned as well.

Beyond the issue of attitudes, respondents believed that there was a generation gap in relation to tax compliance. The old immigrants who came to the UK in the early 1950s and 1960s had no idea about income tax, because income tax was not part of the system at that time in East Pakistan, as Bangladesh was then known. Therefore, for these early immigrants, tax was a new concept in a new land. Among second-generation British Bangladeshi businesses, however, income tax was widely known and practised and had become a part of their economic habit.

In Bangladesh, the tax system is new. People recently coming from there now know about this. But those who came in the past did not know anything about income tax. Coming to the UK, we found these things new to us, so it took a long time to orientate ourselves about the tax system. Again, when we came to the UK, the first generation was mostly engaged in small jobs, where owners used to pay income tax for their staff. Now we are in business, we are learning about the tax system and growing our tax habit. (BO10)

Some other respondents, as well as those quoted above, used the word “habit” while talking about tax attitude. Similarly, one professional tax adviser (TA07) suggested that “people of different cultures and habits” was one of the reasons for tax complexity, meaning managing tax issues in a multicultural society like the UK was difficult when people had different habits. Another professional tax adviser (TA12) cited habit and norms to explain why the tax compliance attitude of some Bangladeshis had not changed: “The old habit of Bangladeshi people ...has not changed.”

The use of "habit" implies that if one has embraced a certain state of mind, it is difficult for one to withdraw from it. A taxpayer with a long-standing history of tax compliance is unlikely to suddenly become non-compliant, or vice versa. The concept of "habit", or "tax habit" can in some ways be linked to Bourdieu's habitus, which, according to Swartz (2012:102) was derived from German historian Ervin Panofsky's concepts of "mental habit" and "habit-forming force". It must however be remembered that "habitus" is not a posh name for "habits", because "habits" does not have a generative and transposable component (Laine, 2014). Habitus has a creative or rejuvenating power, and such creativity is not random but systematic. Paolucci (2014:27) comments that habitus may be a derivation of habit but that, it certainly "does not coincide with the thoughtfulness of habit and habitation that habitus produces."

Respondents to the survey argued that the self-assessment tax system and its complex legislation was hard to penetrate, sometimes even for the professional tax adviser. Added to this was a lack of interest in learning about tax requirements. Some respondents commented that, despite having insufficient knowledge about the implications of tax compliance, they nonetheless took their compliance duties seriously. But HMRC was not sympathetic to even small delays in return filing or technical problems, which created distance and disrespect towards them. A respondent suggested an explanation for this:

I think that the attitude of HMRC to us is often a great hindrance to tax compliance. They should understand that it's my money and my convenience must be respected. The tax authority should overcome its dominating attitude towards clients if it really is a service provider. If I shut down my business, how will they collect my taxes? We run the business to run our family. Everything comes after the family. (BO14)

In this statement, the respondent criticizes the “service provider role” of HMRC and expects enhanced cooperation for family businesses because of their poor financial situation.

This view however was contradicted by other respondents who argued that HMRC and the English community generally were highly supportive of immigrant communities. They stated that the tax administration in Bangladesh was much harsher in dealing with clients. These respondents seemed content that there was no financial corruption in the UK tax system. One respondent offered a very good explanation as to why Bangladeshi immigrants should be tax compliant, and another supported him, as follows:

The English community is highly tolerant; we are building mosques after mosques with the money earned in this country, sometimes paying tax on it properly, sometimes not. They even allow us to build a mosque by demolishing a church which was old and did not have many church goers. Would it be possible to build a church in Bangladesh in this way? The English community helps foreigners, they look at you politely. (BO02)

I am an immigrant here, and I don't want to spend my money in Bangladesh. I will spend it in the UK, because I get services here. People shouldn't want to remit money if there is no family need. (TA01)

To understand their attitude to tax compliance, respondents were asked three questions: “How do you feel when you pay income tax?”; “How concerned are you about your income tax filing?”; and “How important do you think it is to pay income tax? All these questions related to the tax attitude or tax morale issues of the respondents (Brink and Porcano, 2016; Alm and Torgler, 2006). The questions were to be answered on a five-point Likert-type scale.

Table 8. 1 Frequency distribution of responses on various aspects of tax compliance attitude

Feeling about tax compliance		Concern about tax compliance		Importance of tax compliance	
Categories	Percentage	Categories	Percentages	Categories	Percentages
Very good	59.4%	Very concerned	42.6%	Very important	49.5%
good	15.8%	Concerned	26.7%	important	17.8%
Uncertain	6.9%	Uncertain	10.9%	Uncertain	7.9%
not good	10.9%	Not concerned	9.9%	Not important	13.9%
Not very good	6.9%	Not concerned at all	9.9%	Not important at all	10.9%
Total	100%	Total	100%	Total	100%
Mean	1.9	2.18	2.18		2.19
S.D.	1.35	1.345	1.345		1.447

As the Table 8.1 shows, on the point of how they felt about paying income tax, 59.4% responded that they “felt good”, as opposed to 10.9% responding “not good”. However, a comparatively lower number of respondents were concerned about their tax compliance. When asked how concerned they were about their tax compliance, 42.6% commented that they were very concerned, as opposed to 9.9% having “no concern” about income tax compliance. But almost half the respondents, 49.5%, believed that tax compliance for them was very important, and only a minority, 13.9%, thought it was not very important to them. If the answers are re-categorised into three option-choices, the table shows that the percentage of respondents who felt good about being able to comply with taxes is 75.2%; the figure for those who were concerned is 69.3%; and the percentage for those who thought that tax compliance was important is 67.3%; so, the second and third percentages are similar. Their answer pattern suggests that most

respondents viewed tax compliance as an important responsibility about which they were concerned and felt good when they could achieve it.

8.2.1 Bangladesh – A Field of Comparison

Whether the UK or Bangladesh was the ideal place to live was a direct or indirect issue in forming the tax compliance habitus. Some respondents believed that because of the cultural shocks they had experienced they should return to Bangladesh, and there was no point in parting with their hard-earned money. They had a feeling that they were not in the right place. Some others felt that life in Bangladesh was better than life in the UK and were always thinking of returning when their children had received their education and were established. This dilemma about settlement often complicated tax compliance for them.

Thatcher and Halvorsrud (2016) comment that past structures imported from the immigrants' country of origin influence the strategies for action they adopt in the host society. Bourdieu (1958, cited in Thatcher and Halvorsrud, 2016) indicates that if there is a rupture in the social set-up, the habitus takes time to catch up with the changes. According to Ingram and Jessie (2016), those who attempt to integrate the structuring forces of old and new fields into their habitus but fail to do so oscillate between the two fields and produce a destabilised habitus.

Further, as discussed in Section 6.3.4, Bangladeshis always compare the tax rates of the UK with those of Bangladesh and feel that the tax burden in the UK is higher. But at the same time, they feel that the welfare system of the UK is strong and so it makes sense to participate in its tax system. Some Bangladeshi small businesses, on the one hand, carry the tax culture of Bangladesh, whilst others, on the other hand, are respectful of the UK tax system, although they mostly perceive the tax system as complex.

It is natural for immigrants to compare their home country experience with that in the host country and reinvent themselves. In exploring the habitus of British migrants in Spain, Oliver and O'Reilly (2010:52) argue that the British migrants "are essentially placed within two social spaces – the British and the Spanish". Pointing to Bourdieu (1990), they stress the possibility that the habitus of British migrants transforms or reinvents itself in the unfamiliar Spanish space. This transformation process relates to Bourdieu's idea of divided or cleft habitus, which refers to the "mechanism of the mind-sets of individuals who have experienced a considerable disjuncture between the present circumstances and the world in which they were originally raised and socialized", as Thatcher and Halvorsrud (2016:89) explain.

8.2.2 Contradictions and Differences in Opinion

Throughout the discussion, some respondents expressed differences of opinion about some topics. For example, one respondent (BO07) claimed that his positive attitude to the tax system made it easier for him to comply with tax legislation, while another one (TA04) stated that not many people had the right attitude to tax (Section 8.2). Again, some respondents rejected the tax system, arguing that tax collectors were demons and non-cooperative, while some others' views about tax collectors were just the opposite. They thought that the service they got from the welfare state (TA01), and the tolerance the English community showed to immigrants (BO02) made it worthwhile to actively participate in the tax system (Section 8.2).

Differences of opinion among respondents often confuse some readers, who believe that every respondent should have the same or a similar perspective on a topic. In reality, conflicting interview responses uncover the multidimensionality

of a problem (Antin et al., 2015) and capture the tension (Watson,2006) respondents face in dealing with a situation. Conflicting discourses on tax compliance attitudes or the tax system which emerged in the interviews do not indicate that the respondents were dishonest; rather they shed light on the struggles they faced in accomplishing tax compliance. Changes in the interview contexts may cause respondents to rely on different stocks of knowledge and experiences which make their interpretations different (Holstein and Gubrium, 1995 cited in Watson, 2006).

In Bourdieu's own philosophy, it is argued that people from the same class can have different worldviews, because despite belonging to the same class, they may differ in their social and personal trajectories and ownership of cultural and economic capitals (Weininger, 2005; Power, 2004). Power (2004) submits that in social science research, methodological triangulation is one way of finding the truth, the other way being to understand a participant's "logic of practice", that is, what is revealed through his/her contradictory remarks. Bourdieu (1996:26) shows how the meaning of "reality" varies in the life of one of his respondents, due to her split existence as a Moroccan immigrant in France.

Watson (2006:367) comments that ambiguities, contradictions, inconsistencies – all can be labelled tension, which "can yield insights into the research process" and introduce new meaning into a concept. More importantly, inconsistencies can improve the validity and reliability of qualitative data (Miles and Huberman, 2014; Denzin and Lincoln, 2000). Validity in this case does not only mean the content of a concept (Bryman and Cramer, 2005) but also the irony of incompatible beliefs "grounded in the crisis of representation" (Lather, 1995: 41). The crises people

go through and the stories they tell and re-tell offer an explanation of the generative and transposable nature of their actions (Watson, 2006).

One concern, however, is how to arrive at a conclusion out of the contradictory views respondents express. To Power (2004), this depends on the epistemological view of the researcher. In the positivist tradition, it is achieved through triangulation of participants' comments supported with other data or evidence. In the post-positivist tradition, it is achieved through understanding reality, which is multiple and context bound. Listening to contradictory remarks, as Power claims referring to Bourdieu, can unravel the ambiguities respondents face in their everyday lives and provide deeper understanding of their logic of practice.

The use of Bourdieu's work as a theoretical framework in this study makes contradictory comments a more relevant and dependable sense-making tool. To reach a conclusion, the puzzling aspects of interviews over tax compliance could have been counted and a frequency distribution could have been made. But in an interpretivist analysis seen through the Bourdieusian lens it is more useful to confront the comments of one respondent with those of another. Bourdieu (1996) reminds us that blind trust in the respondents is not enough to understand the distortions embedded in the social structures where the interview is taking place.

8.2.3 Tax Compliance, Social Space and Immigrant Businesses: A Multiple Correspondence Analysis

The relational properties of different aspects of tax compliance attitudes and aspects of capitals can be shown by multiple correspondence analysis (MCA). In Bourdieu's work, MCA is an analytical technique that reflects relational aspects of his theory of practice. In Bourdieu's own words, "I use correspondence analysis very much, because I think it is essentially a relational procedure," (cited in

Hjellbrekke and Korsnes, 2009:35). MCA axis 1 represents the most dominant dimension and axis 2 describes the next most important dimension. Each axis consists of a multidimensional space and the variables in the space are considered active (Hjellbrekke and Korsnes, 2009).

Figure 8. 1 Category quantification for tax compliance variables

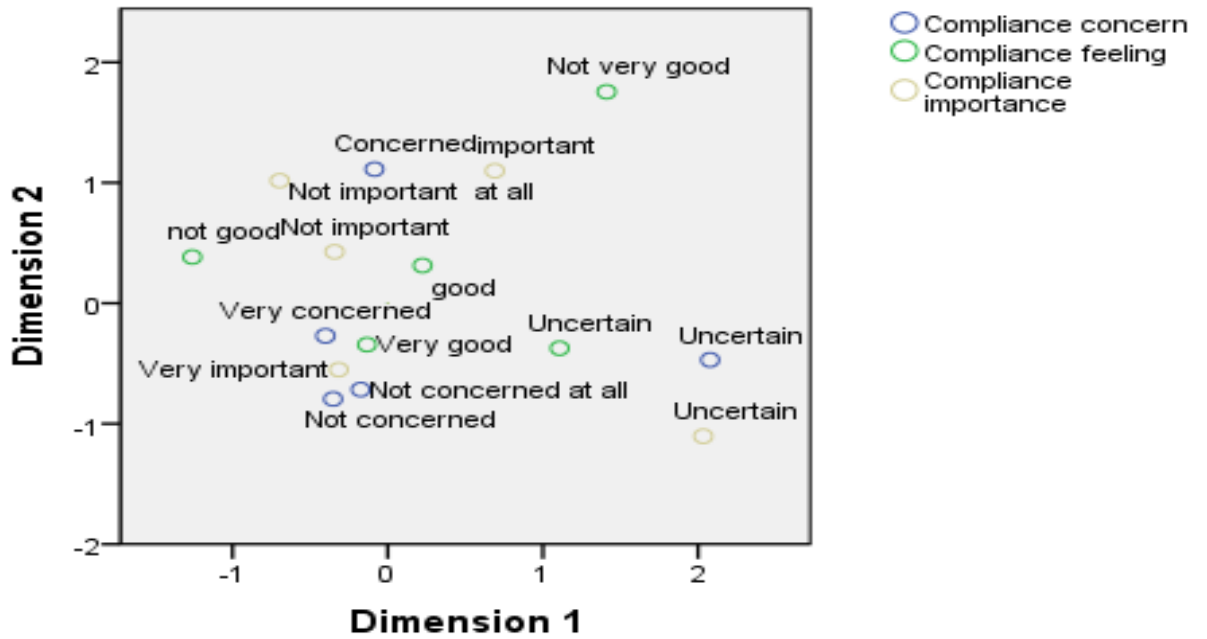
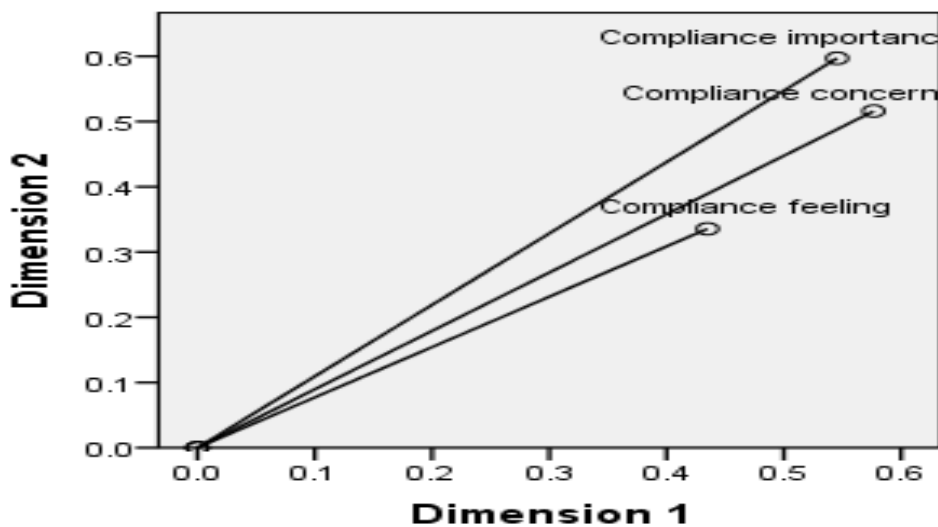


Figure 8. 2 Plot of discrimination measures for tax compliance variables



Each of the variables in the category plot, as shown in Figure 8.1, has five categories. Two categories of the variable *tax compliance concern* – very concerned and concerned – are grouped together at the top of the plot, while the other three categories – uncertain, not concerned and not concerned at all – are grouped at the bottom. The large discrimination measure of concern along dimension 2 is a result of these two categories being very different from other categories of concern. Similarly, one category of the variable *tax compliance importance* – very important – is very far from the other categories and yields a greater measure of discrimination in the second dimension. Two categories of the variable *tax compliance feeling* – very good and good – are grouped together at the middle of the plot, indicating that these two categories show almost equal measures of discrimination in both dimensions. Nearly all the variance in the data is accounted for by the solution, 51.6%, of the first dimension and that of the second, 48.3%. The alpha coefficient (α) for the first dimension is 0.736, and for the second dimension is .664, suggesting that the items maintain acceptable internal consistency.

The discrimination measure plot, as shown in Figure 8.2, shows that the variables – tax compliance feeling, tax compliance concern, and tax compliance importance have relatively large values on both the dimensions, indicating discrimination measures in both the first and second dimensions. This suggests that all the categories in each of the variables spread across both the dimensions. It makes sense that immigrant taxpayers may be concerned or not concerned, they may feel tax compliance to be important or not, and they may have a good feeling when they pay income tax or not.

Figure 8. 3 Category quantification for all capital variables

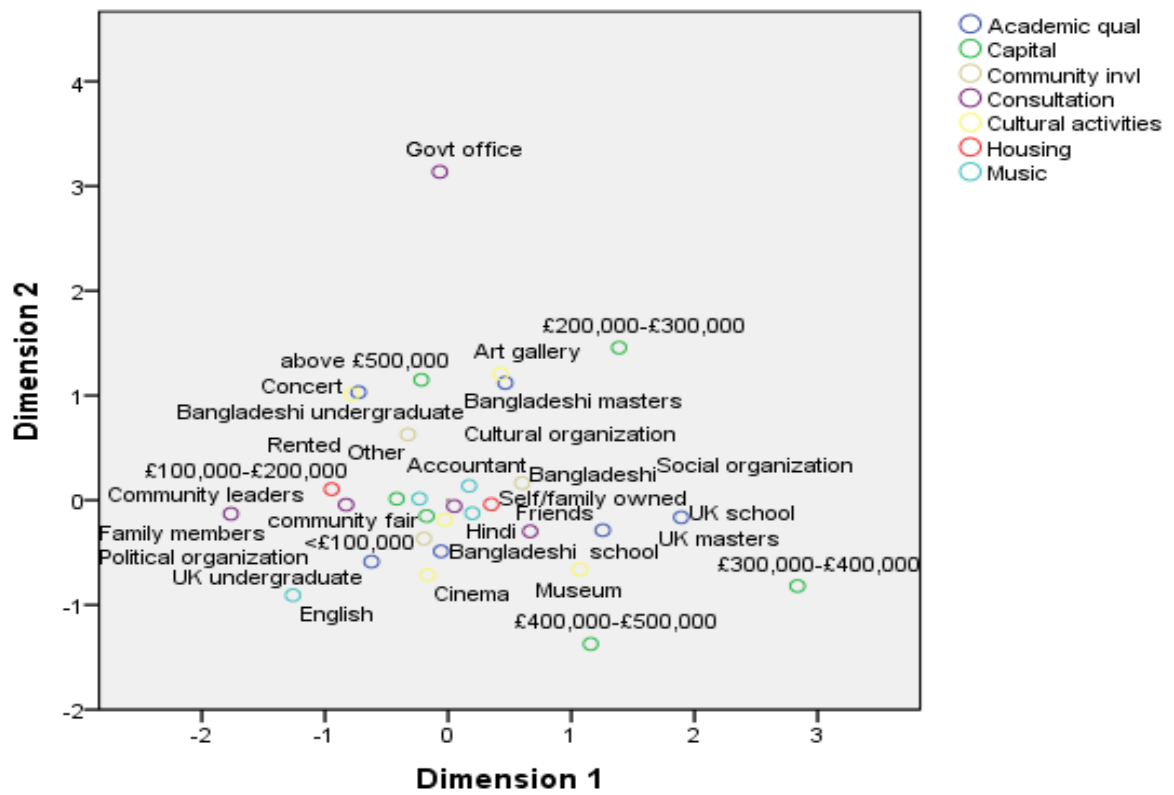
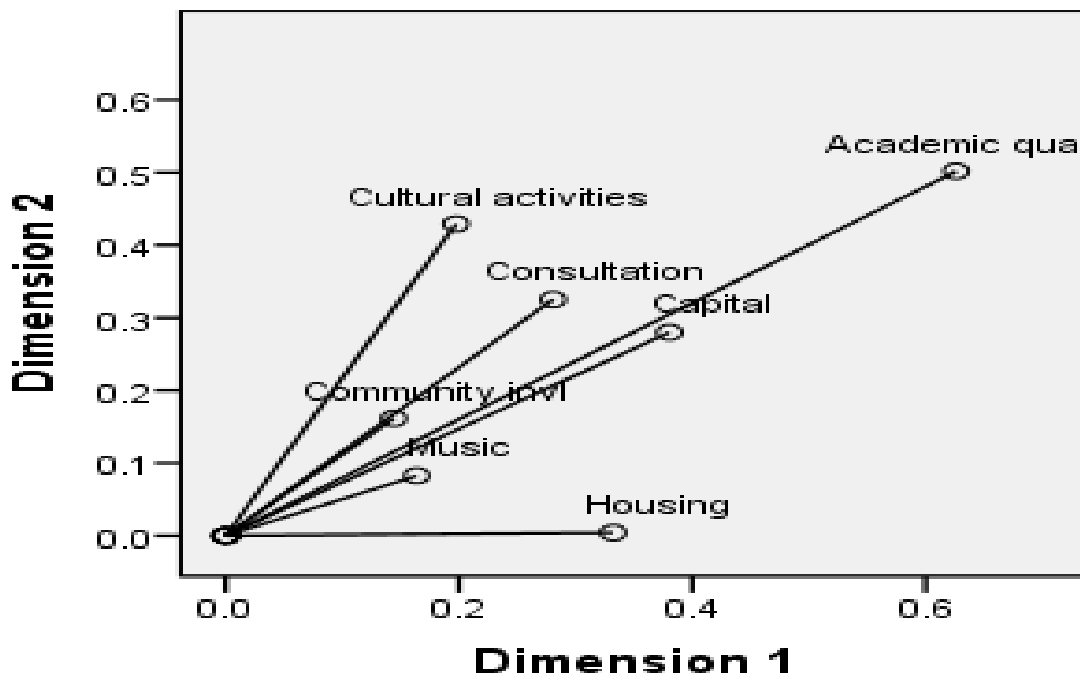


Figure 8. 4 Plot of discrimination measures for all capital variables



The spread of the category quantifications in Figure 8.3 shows two categories of business capital, £300,000-£400,000 and £400,000-£500,000, grouped together at the bottom right of the plot and showing a greater measure of discrimination in dimension 1. The capital category £100,000-£200,000 is very close to dimension 2 and shows a full measure of discrimination in it. The other categories are far apart from these two categories and discriminate in both dimensions. This indicates that the respondents' class or position in society strongly connected to their ownership of business capital. Of the educational categories, UK master's degrees and UK school certificates are grouped together, while non-UK master's degrees and non-UK undergraduate degrees are grouped together, indicating two distinct classes based on education. If we look at cultural participation, museum and cinema goers are grouped together at the bottom of the plot, while visiting art galleries is quite separate. For community involvement, categories of political organization are highly loaded in dimension two. Visiting government offices, a category of consultation or social networking, is quite separate from other categories. The first dimension accounts for 30.54% of the variance, and the second-dimension accounts 25.492%. The alpha coefficient (α) for the first dimension is 0.688, and for the second dimension is .612, suggesting that the items had acceptable internal consistency.

It is important to note that there is no agreed minimum value for Cronbach's alpha, although it is often claimed that it should be more than .70. In their study on the relationship between cultural and personal values, Wugayan and Serprenant (2006:41) use Cronbach's alpha coefficients of .51, .53 and .55, and they allow "alpha values below .70 to be acceptable in research of exploratory purpose". Similarly, Khalique et al. (2015:80) comment that an item can be considered to have an acceptable level of consistency "if the Cronbach's alpha

value is within 0.5 to 0.7". Some other studies also confirm that a score below .70 is acceptable for exploratory research (for example, Bertolini et al., 2011:14; Boyle and Schmierbach, 2015:139; and Hair et al., 1995:641). Carter (2010 :311) contends that the "user of the measure has to determine how reliable the test should be depending on the circumstances of the study." In this study, the Cronbach's alpha for most items is above or near 0.70 and well above the minimum level of 0.50.

The discrimination measure plotted in Figure 8.4 shows that the first dimension is related to the variables housing and music. About the interaction between habitus and habitat (i.e., housing), Bourdieu (1999:128) reminds us that, "If the habitat shapes the habitus, the habitus also shapes the habitat." These variables have large discrimination measures in the first dimension and a small discrimination measure in the second dimension. For both these variables, the categories are positioned far apart in the first dimension only. Academic qualification, capital and consultation have relatively large values in both dimensions, and cultural activities and community involvement have a large value in the second dimension and a small value in the first dimension.

Figure 8. 5 Joint category quantification for tax compliance and capital variables

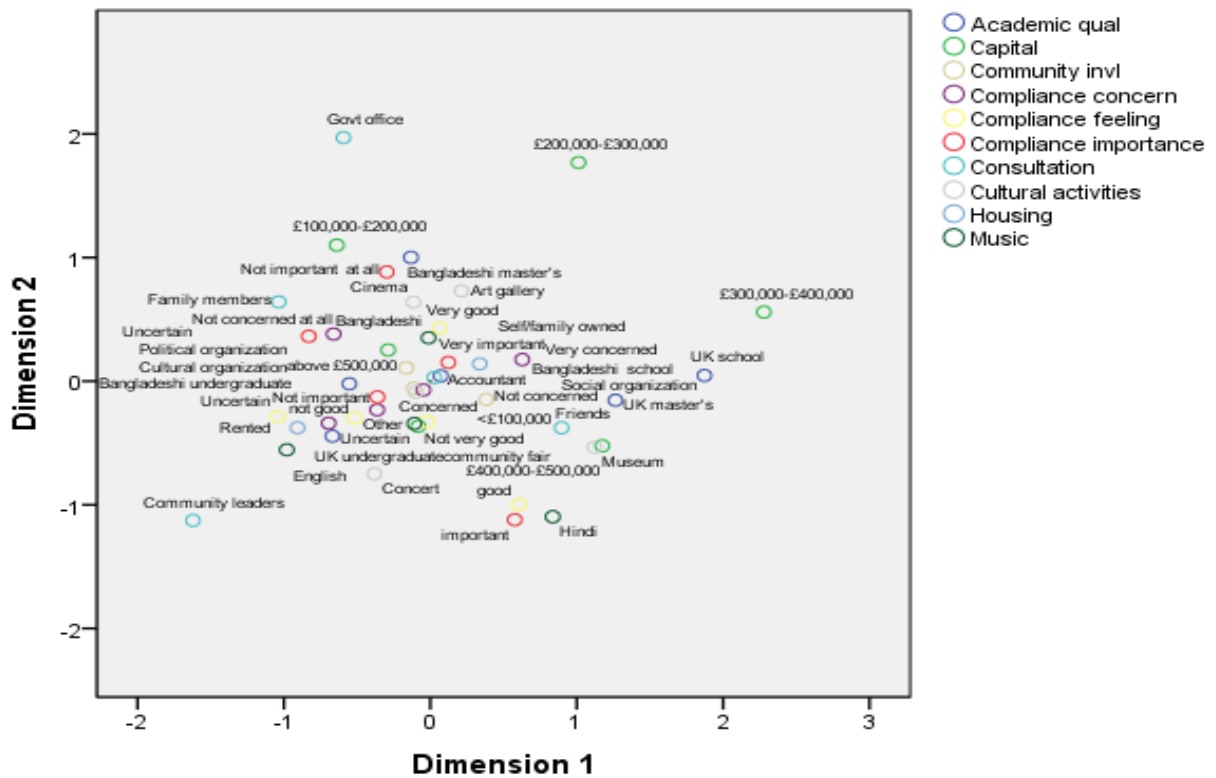
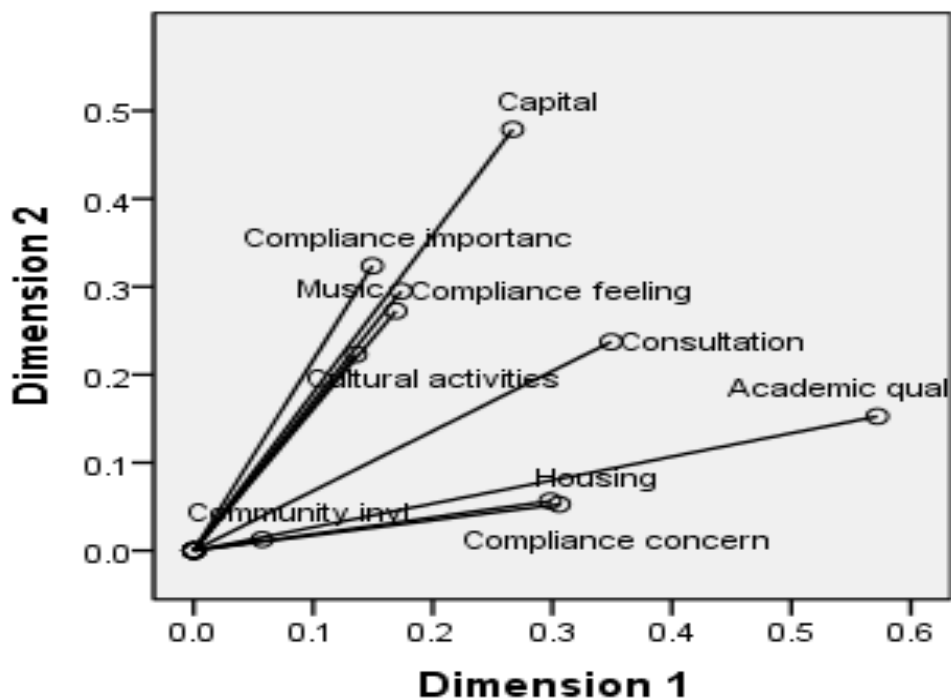


Figure 8. 6 Joint category plot of discrimination measures for tax compliance and capital variables



The major pattern of groupings in the joint category plot of tax compliance and various capitals in Figure 8.5 illustrates that respondents with low business capital with UK undergraduate first degrees feel good about achieving tax compliance and think that tax compliance is important. Those having a non-UK school certificate or Bangladeshi school certificate, and who go to tax advisers for consultation, are very concerned with their tax compliance obligations, take compliance action seriously, and feel very good when it is accomplished. Another major grouping is the class of taxpayers who listen to Bangladeshi music, are involved in political organizations and have business capital of over £500,000. This group thinks that tax compliance is not important to them at all and are not concerned with it either. A few categories, for example, seeking advice from government offices, preference for non- English music, and meeting a community leader for help, are quite separate from the other categories of the variable, tax compliance concern. The first dimension accounts for 24.773% of the variance and the second dimension accounts for 21.044%. The alpha coefficient (α) for the first dimension is 0.763, and for the second dimension is 0.682, suggesting that the items had acceptable internal consistency.

The plot of discrimination measures in Figure 8.6 shows that the first dimension is related to the variables of compliance concern, housing and academic qualification. These variables have large discrimination measures in the first dimension and small discrimination measures in the second dimension. For both these variables, the categories are located far apart in the first dimension only. Cultural activities, consultation and tax compliance feelings have relatively large values in both dimensions. Music, capital and tax compliance importance have a large value in the second dimension and a small value in the first dimension. The

variable community involvement is located very close to the origin, which indicates that it does not discriminate at all in the first two dimensions.

The results of the multiple correspondence analysis show that the tax compliance attitudes of Bangladeshi immigrants depend on whether they earned their educational qualifications in the UK or in Bangladesh. Attitudes vary across respondents in respect of the volume of economic and social capital they own. One distinguishing feature of their tax habitus is that they compare tax compliance activities in the UK with those in Bangladesh, which strengthens the idea of cleft or divided habitus among immigrant communities.

8.3 Race, Habitus and Tax Compliance

Bourdieu's habitus is initially about class, but in a racialized social system the habitus one possesses may be a racialized or ethnicised habitus (Perry, 2012). Bangladeshis in the UK are a racial minority and Bangladeshi small businesses are invisible in the identity landscape of the UK business community. As Bangladeshi small businesses belong to a racialized migrant community, the tax compliance difficulties they encounter may not be an issue of importance to the UK tax authority. Smallbone et al. (2005) contend that because of their racial identity, Asian business owners in London are not considered trustworthy and are penalized in many ways. Being discriminated against is a common phenomenon for immigrant communities in New Zealand (Yuan et al., 2013), and such discrimination may make the tax and business environments complex and uncertain (Wang et al., 2014). Immigrants believe that race is one of the most significant criteria for discrimination.

The "Bangladeshi" identity, the social identity of Bangladeshi immigrants in the UK, subjects them to different forms of discrimination and reinforces the

development of a racialized habitus within them. Often, they are panicked at being subjected to implicit or explicit discrimination, even though some of them have achieved high educational success and economic integration into UK society. Rothengatter (2005:281) observes that much of the perception that immigrants are noncompliant with tax laws is stereotypical, divisive and racist, and that it inhibits “the successful social integration of migrant entrepreneurs into the destination society” and its “overall tax morale”.

To Bourdieu (1999:62) ethnicity is a stigma for immigrants which is inscribed in their skin, name and facial features, and which “radicalizes the handicap linked to the lack of certificates or qualifications ... more specifically cultural capital.” This may make their acculturation in the host country poor. For example, Bangladeshis in the UK have the lowest level of majority acculturation, familiarity with British culture and language, because of their religious-cultural belief (Sanders et al., 2014). This tendency is common not only among new immigrants from Bangladesh, but also among second-generation immigrants who have been living in the UK for many years. But the reasons for such feeling are different between these two generations. To suggest an explanation for this, Sanders et al. (2014:36) comment that the “Bangladeshi ... second generation, having grown up in Britain and been educated in British schools, have somewhat different frames of reference from their parents. The second generation expects to be treated in the same ways as their white British peers, whereas the first generation may be more likely to frame comparisons with ...non-migrant kin. In line with this interpretation, we find that the second generation are actually more likely to report discrimination.”

Lack of acculturation and respect for the UK regulatory system by Bangladeshi immigrant businesses is evident in the following statement: “If you are not respectful to the UK tax authority, why are you here? You should return to Bangladesh. No one forced you to live here”, as one small business owner said in response to those who were disrespectful to their tax obligations. In other cases, the lack of respect was expressed more directly, when respondents, for example, BO11, held the view that native British people were equally or more tax non-compliant. With the help of an adroit middleman, or due to social power, the native UK taxpayer managed to stay outside the radar of the tax authority, as these respondents believed.

Another respondent, BO04, curiously asked whether the interviewer was aware that some members of parliament in the UK had been found to be underpaying taxes. He also felt shame that he had to pay capital gains tax only because he was not an MP or a member of the upper echelon of society. The Bangladeshis who judged tax collectors as “demons” also indicated that they didn’t feel any relationship with the British tax system. Such an indication should not only be viewed as cultural disjuncture, but also as racial antagonism (Cui, 2015).

The racialized habitus is, however, not fixed but evolves over time, and moves through a dialectic relationship between the social structure and the individual agent. There exists a cyclical influence between them, with “structure guiding human behaviour, and human behaviour constantly modifying structure, albeit largely at the margins,” (Ebrahim, 2003:16). For example, a taxi driver in Bangladesh has no idea of what tax compliance might be. On the other hand, a taxi driver in the UK knows his tax obligations once he qualifies for his driving license, as his qualification is sent to HMRC so that he can be included in the tax

network. One respondent (BO05), a restaurateur and professional taxi driver, commented, "In fact, when I got my professional driving licence, the driving office said that your driving qualification is sent to HMRC." This echoes Bourdieu's (1990) comment that one's disposition is produced by one's material condition in the social system.

The inter-dependence of Bangladeshi small businesses and Bangladeshi tax advisers, as discussed in Section 7.4, is another example of racialized habitus. Drawing on Bourdieu, Perry (2012) finds that in raising financial support, white church workers in the US depend wholly on white donors, while African American church workers depend on both white and non-white races. Due to a common racial identity, their in-group solidarity gets a durable shape and is sustained over a prolonged period. Their racially constituted dispositions are an expression of their common racial upbringing and cultural preferences.

8.4 Migrant Ethics, Morality and Tax Compliance Habitus

Tax compliance behaviour is found to be strongly linked with taxpayers' ethical standards and morality (Torgler, 2007; Alm and Torgler, 2006). A social agent's disposition is so inculcated and embodied in their mental structure that a practice incompatible with their material condition may be "denied as unthinkable, even ethically wrong," (Perry, 2012: 92).

In Bourdieu's social theory, there is not much written about tax compliance and ethical behaviour. He rather looks at tax compliance habitus as a power struggle between the state and the taxpayers and between different taxpayers (Mumford, 2013). Sayer (2010) comments that, in his discourse on habitus, Bourdieu largely ignores the ethical dimensions in individual decision or choice making. However, Sayer (2010) believes that analysis of both the micro and the

meso levels of habitus is necessary for understanding people's ethical and moral dispositions. The micro level of habitus consists of the bodily (i.e., accent, gesture, appearance, clothing) and cognitive (i.e., taste, perceptions, touch) elements, while the meso level consists of the interactions individuals make with other actors, practices and institutions.

In Ignatow's (2009) view, however, ethical matters can be understood through Bourdieu's lens by examining how individuals make moral judgements in their everyday lives. He argues that individuals make moral judgements by evaluating the standards available in the cultural repertoires they have at their disposal. In a community with high ethical standards, violation of tax laws will trigger contempt, shame and guilt in taxpayers' psyche; and in return it will affect their moral disposition and judgement. Seen from this viewpoint, tax morale is linked to the moral habitus of individuals, which is the result of their moral judgment.

In the interviews, there were respondents who repeatedly stressed that they felt it unsupportive of the state to avoid tax obligations, in a country that provided them with so many public services and social welfare benefits. One respondent, BO09, stated, "I feel that government gives me service, so I should pay some money in this or that way." The ethical or moral issues, however, may fail when one's action is driven more by economic gain than morality. For example, when a video-camera was installed in one restaurant premises by HMRC inspectors to count number of customers served, the restaurant owner, BO05, established a take-way delivery service to make sales estimation by the tax authority difficult. In explaining this practice, he himself attributed it to his "Asian mentality" that made outsmarting the tax authority a virtue rather than a vice.

Meso-level interaction is one way to reduce the gaps in worldviews among social agents. Bangladeshis in the UK, through interactions with UK tax and non-tax institutions, will modify the tax habitus that they brought with them from Bangladesh. A revised habitus will direct them towards a belief that tax is not only an economic but also a moral issue. This also implies that a revised habitus will lead to isomorphism, or what Bourdieu prefers to call homology (Weininger, 2005), between an individual's habitus and the social structures that surround him. Vaisey and Lizardo (2010:04) argue that, "Any homogeneity of attitudes and normative orientations among actors is thus understood to be the result of interactional influence processes that post-date the origins of friendship ties rather than the product of cultural similarities that pre-date those ties."

Interactional homogeneity however may be affected when a taxpayer applies conscious or unconscious strategy or calculation to be successful in certain actions. Bourdieu (1990 cited in Sayer 2010) never rules out the possibility that habitus can accompany strategic calculation on the part of someone performing an action. In the interviews, there were respondents who, on the one hand, were serious about tax compliance but, on the other hand, were involved in huge cash business activities. Such a dichotomy in behaviour indicates that taxpayers as game players can choose different strategies, consciously or unconsciously, as tennis players do on a tennis court – Bourdieu's favourite example of the conscious vs unconscious strategies that a habitus can take

8.5 Immigrants' Class Position and Tax Habitus

Racial identity is one way to understand one's social position, while class identity is another. Class position, or class perception, is blurred for many people; or people may be uninterested in identifying their class position. Revealing one's

class may mean revealing tastes, behaviours and in some cases choices. In contemporary British society, people are less interested in discussing their class, particularly when they belong to the lower or middle class (Savage et al., 2010).

In the study under discussion, no questions were asked about the social class of the respondents directly, although four respondents introduced the term “class” in the interview. For example, one small business owner, BO03, referred to welfare abuse in the UK as an “immigrant class” problem. A tax accountant, TA07, while talking about his own community, observed that they didn’t belong to the “educated, cultured class” of Britain, and identified this as one of the strongest reasons for their suffering in their social space. To them, in brief, “Bangladeshis” meant an undereducated immigrant class. Savage et al. (2010) argue that class identity seems to be a less frequent or a less fitting word to identify immigrant communities, because their main marker is ethnic identity.

Response to state obligations, understanding of power and power relations – all related to the respondents’ ethnic or immigrant class. In explaining the nature of the immigrant class, Friedman (2016) suggests that they have an oscillating identity, becoming strangers in their own society and guests in the host society. Drawing on Bourdieu, she contends that immigrants have a double isolation in their life: first from their field of origin; and second in the destination field. Bangladeshis are found to suffer from high social distance in the UK. The average social distance between ethnic communities and white British citizens is 15, measured as a percentage of respondent answers, while Bangladeshis have an average social distance of 18 (Sanders et al., 2014).

People tend to support policies that favour the activities of their own class rather than those of others. Owing to class and life-style differences, immigrants are

reluctant to fulfil tax compliance obligations for reasons which are reflected in the question – “Why should we pay for them when they are doing things that we wouldn’t do?” as David Willets, a British Conservative MP, commented in 1998 (cited in Li 2010:3). Since immigrants internalize themselves as external to society, they are less likely to own that society in the same way as the mainstream classes do (Li,2010). In the *Weight of the World*, Bourdieu (1999) and a team of his colleagues use an ethnographic account to point to the antagonism to their ethnicity that immigrants experience over housing and identification.

In Bourdieu’s social theory, class represents an occupational classification of labour based on the economic and cultural capital possessed by individuals. Bourdieu (1999) comments that in certain spaces, for example in visiting a museum, one may need appropriate cultural capital; but in some other spaces, such as legal institutions, one not only requires cultural but also economic and social capital. He shows that the highest echelon of the social classes, which combines these capitals, includes industrialists, academics, lawyers and so on; while small business owners, primary school teachers and so on belong to the middle class (Weininger, 2005). However, small business owners from the native community and those from the ethnic community may not be straightforwardly comparable. This is because, in the social and economic milieu, the ethnic classes are mostly absent and disconnected, and they lead a life within themselves (Bourdieu, 1999). This seems true for Bangladeshis, who prefer maintaining their homeland network and loyalty rather than entering the host country network, as Shams (2016) finds among Bangladeshi immigrants in the US.

Again, a native owned small business and an immigrant owned small business may be significantly different because the former is likely to hold relatively more cultural capital (i.e., language, accent and communication) than the latter. Bourdieu (1984) contends that occupational categories within a class can be differentiated based on the relative preponderance of capitals within that category. For instance, there are differences between “small business owners, endowed primarily with economic capital, and primary school teachers, endowed primarily with cultural capital,” although the two groups belong to the same social class (Weininger, 2005:128).

In addition to differences in capital ownership, the trajectory of Bangladeshi immigrant businesses and that of native British small businesses also differs widely. Sanders et al. (2014) found²⁵ that of the five main ethnic groups in the UK (e.g., Indians, Pakistanis, Bangladeshis, Black Caribbean, Black Africans), the Bangladeshis expressed the highest level of interest in, and preparedness to participate in, violent protest against war or taxation in the UK. Even their average protest score was slightly higher than the white British one. This finding from Sanders et al. (2014) implies that Bangladeshis in Britain are more opposed to government policies about war and taxation than the other ethnic groups, although, of all ethnic groups, they have the highest amount of trust and satisfaction in British democratic and political institutions.

Differences in the relative preponderance of capital and historical trajectory will produce class-specific habitus or immigrant class habitus. If habitus become

²⁵ Sanders et al. (2014:128, Table 2) show that the ethnic groups register similar levels of preparedness for violent protest against war and taxation (average score: 15%), which is 17% for Bangladeshis, 16% for Indians, 15% for Whites, Pakistanis and Black Africans, and 11% for Black Caribbean. Although they are similar, the figure is slightly higher among Bangladeshis and lower among Black Caribbean. Similarly, on trust in political institutions and satisfaction with democracy in Britain, Bangladeshis scored 67% and 76% respectively, higher than any other ethnic group.

class based, then practice will also be class based, since one follows the other. Therefore, the tax compliance practice of Bangladeshi immigrant small businesses will not only differ from that of native small businesses; it may also differ from that of other immigrant communities whose class situation and class experience may be different.

8.6 Chapter Summary

This chapter has discussed Bangladeshi immigrant business owners' tax habitus and their actions, expectations and feelings towards tax compliance. As an immigrant business community, most Bangladeshis consider tax compliance an important social function and are concerned about the timely discharge of this social responsibility. Findings show that tax compliance attitudes vary widely with the educational qualifications and volume of capital taxpayers possess. UK educated immigrants, and those with low economic capital, feel tax compliance to be a more important responsibility than those who received their education in Bangladesh or who have high economic capital. On these people's way to compliance creation, cultural and linguistic issues come as a major barrier, along with their "Bangladeshi" social identity. Added to this is a mindset, or home country experience, resulting from a tax system where non-compliance is a major feature. The unsettled mental and physical status, whether to stay as a lifelong immigrant or return to the homeland, produces a divided or cleft tax habitus in Bangladeshi immigrants and complicates tax compliance actions.

This chapter has argued that habitus is a class-based concept which, in turn, makes tax compliance a class-based practice. From that perspective, the tax compliance habitus of the Bangladeshi community may not vary from that of the mainstream community, but it is likely to vary from that of other immigrant

communities. We have also argued that interactions and feelings of “belongingness” among immigrant and mainstream communities may establish a homogeneity or behavioural homophily in the tax habitus of the immigrant businesses. In the next chapter, we shall present the conclusion of the thesis.

Chapter IX

Conclusion: Tax Compliance in Immigrant Business Communities in Theory and Practice

9.1 Introduction

The aim of the research for this thesis was to deploy Bourdieu's theory of practice to examine the tax compliance practice of Bangladeshi family businesses in the UK. In order to achieve this objective, three major research objectives were proposed. The first objective was to identify the aspects of tax compliance that created difficulties for Bangladeshi family businesses' engagement with the UK tax system. The second objective was to examine the nature of the relationship between Bangladeshi family businesses and their tax advisers in managing tax compliance and tax risk. The third objective was to explore the socio-economic and cultural issues that influenced the tax habitus of Bangladeshi family businesses. This concluding chapter will attempt to pull the three objectives together and identify the role of ethnic identity in Bangladeshi family businesses' engagement with the host country tax system. The chapter will proceed as follows. Section 9.2 will reflect on the study context and the unit of analysis that has underpinned the research. Section 9.3 will present the main findings of the research questions undertaken by the study. The chapter will then focus on the overall study findings and the contribution of the thesis in Section 9.4; the implications of the research findings for theory in Section 9.5; and the generalizability of the study findings in Section 9.6. The chapter will conclude by discussing the limitations of the study and the potential areas of future research.

9.2 Tax Compliance in Immigrant Businesses: Context and Interpretation

The thesis was premised on the idea that immigrant taxpayers encounter major problems in engaging with the tax system of the destination country. Achieving tax compliance is a difficult job, which gets far more critical if it is to be accomplished in an unfamiliar society. A review of the extant literature revealed two distinct features of tax compliance studies of immigrant communities. The first stream of literature focused on the contributions immigrants made to the public coffers and the benefits they took in exchange from the state (Dustmann et al. 2010; Fix and Passel, 1994; Wang and Lo, 2000; Rowthorn, 2008; Dustmann and Frattini, 2013). These studies presumed that any gap between contributions and benefits was an indication of the immigrants' level of engagement with the host country's tax system. In these studies, there had been little attempt to focus on how immigrant societies connected themselves with the tax system of the new society and the struggles they faced in achieving tax compliance. The identity of the immigrants and their alien social status, combined with a general lack of English language and cultural differences, accentuated many of their difficulties in accomplishing the state obligation of tax compliance.

The second stream of literature assumed that all small businesses suffered from similar tax compliance problems. The issue of business owners' identity, whether they were natives or immigrants, had largely been overlooked in evaluating their tax compliance attitudes (McGoldrick and Troast, 1999; North and Trlin, 2004; de Vries, 2007; Carney, 2007; Constant and Zimmermann, 2013; Shams, 2016). The common cultural and social origins of immigrants from a country unite them into a small group whose perceptions of tax and other regulatory agencies are likely to be similar. In some studies, it was claimed that immigrant societies viewed tax complexity as a major threat to managing compliance, although these

studies did not delve deeply into the underlying reasons for such a claim (Light and Bonachich, 1988; Yuengert, 1995; Department of Labour, New Zealand, 2002; Yuan et al., 2013; Inland Revenue, New Zealand, 2014).

Further, some studies suggested that a common feature of immigrant businesses was to depend on tax advisers from within the same community, without exploring the nature of such dependency and the power dynamics that might underlie it (Levitt, 1995; Chrisman et al., 2003; Janjuha-Jivraj, 2003 Andrejuk, 2016). In a multicultural society like the UK, where immigrant businesses make a significant contribution to public revenues and employment creation, there is a special need to explore these businesses' views about the tax system and tax compliance management.

In consideration of the above limitations in the tax compliance literature, this study proposed the following three main and five subsidiary research questions, with the expectation that an answer to these questions would fill the void in understanding the tax compliance perceptions of immigrant family businesses.

Main Research Question 2

Is Bangladeshi small family businesses' engagement to the UK tax system problematic?

Subsidiary questions to main research question 1

(I) What aspects of tax compliance are most problematic for small Bangladeshi family businesses in the UK?

(II) How do small Bangladeshi family businesses perceive the UK tax system and its complexity?

Main Research Question 2

How is tax risk managed in the Bangladeshi small business community?

Subsidiary questions to main research question 2

(III) How do small Bangladeshi family businesses manage tax risk?

(IV) To what extent do small Bangladeshi family businesses rely on tax advisers?

(V) What is the nature of the relationship between the small Bangladeshi family businesses and their tax advisers?

Main Research Question 3

What is the tax habitus of small Bangladeshi family businesses in the UK?

To answer the research question, this study applied a Bourdieusian lens, since the research problem seemed more a sociological than an individual one. Bourdieu's praxeology, i.e., what people do and how they do it, is distinctly social; and his theoretical approach is based on the relational structure of social agents as expressed in his conceptual triad of habitus, capital and field (Sections 4.1 and 4.3). Chapter 6 attempted to answer the first main research question with the help of first and second research sub-questions, which focused on the most problematic areas of tax compliance encountered by Bangladeshi family businesses and their perceptions of the UK tax system. Chapter 7 dealt with second main research question by attempting to answer research sub-questions 3, 4 and 5, discussing immigrant businesses in terms of their tax risk management practices, the extent of their dependence on tax advisers in solving tax issues, and the relational dynamics between them and their tax advisers. Finally, Chapter 8 tackled the third main research question, which explored the tax habitus of Bangladeshi immigrant businesses.

9. 3 Summary of the Main Findings

The main objective of the study was to explore the ways in which Bangladesh family businesses managed tax compliance and engaged with the tax system of

the UK. This section will discuss the main findings of the three main questions in light of the five subsidiary research questions developed in Section 5.3 and demonstrate whether the research questions were attempted correctly. It will show the contributions the study makes to the relevant field of knowledge.

9.3.1 Problematic Aspects of the UK Tax System for Bangladeshi Family Businesses

This was the first main research question to be attempted. The aim of this question was to identify aspects of the tax system that created most problems for Bangladeshi businesses in their efforts to achieve tax compliance and their perception of tax system complexity. The first component of the main research question was attempted by the first subsidiary research question. The aspects of the tax system that were found to be problematic are summarized below with their underlying explanations.

9.3.1.1 Maintaining Documents and Accounts

The findings from the survey data showed that maintaining records, i.e., book-keeping and accounting, was the most critical problem. Of the respondents, 34.7% stated that they suffered most from record-keeping burden in tax return preparation (Section 6.3). Analysis of in-depth interviews with survey respondents revealed that the excessive cost of maintaining transaction records, and the risk associated with having incomplete documents if they were audited by HMRC, made this a difficult tax compliance task for them. The study found that keeping records for personal use and keeping them to cope with legal requirement were virtually two different requirements (Section 6.3.1). For small businesses with insufficient, or no, knowledge of taxation or accounting, and without any accountant of their own because they could not afford one, keeping proper records and satisfying the tax authority were difficult challenges.

Findings suggested that dependence on cash business operations, in order to make informal payment of staff salaries or bills, was a widespread practice in immigrant community businesses, and complicated record-keeping functions. On this point, there were two different explanations: one coming from the tax advisers and the other from business owners. The former group of respondents argued that much of the cash business and associated record-keeping difficulties arose due to the negligence and game-playing attitude of business owners. In contrast, the latter group of respondents believed that it was due to the business reality of immigrant-owned small businesses, with their overwhelming dependence on community members for staffing, sales and purchase of goods and services (Section 6.3.1). International tax literature supports these findings that negligence (Yong, 2011), improper documentation (Lignier, 2009) and cash transactions (Morse et al.,2009) are a common feature of small and immigrant businesses' taxation issues.

9.3.1.2 Frequent Changes in Tax Law

To a quarter of the respondents (24.8%), frequent changes in the tax law emerged as a problematic area of tax compliance (Section 6.3). The major problem that abrupt changes in tax legislation created was uncertainty in making tax returns. As the law changed, so did tax codes, their relevance and tax calculations. Legislative changes were not only a problem for the business owners but also for the tax professionals (Section 6.3.2). It was argued by the respondents that small business tax advisers were not adequately trained to keep track of the changes in tax legislation. The research found that immigrant family businesses and their tax advisers had concerns that the UK tax system was subject to regular administrative reform, giving rise to different tax filing and service standards. Respondents stated that centrally administered tax

jurisdictions and locally administered tax jurisdictions did not provide similar levels of satisfaction in their tax compliance services. Respondents argued that the creation and changing of tax legislation was, to some extent, related to the political atmosphere and regime changes in the UK (Section 6.3.2). All political parties of the UK had their own ideas about budgetary allocations and public funding, and changes in tax legislation and the tax system were an important item for attracting votes.

9.3.1.3 Determination of Total Income

Determining taxable income was as the next problematic aspect of generating tax compliance (Section 6.3). Explanations from the respondents indicated that the concept of income and that of taxable income created confusion for them. Categorising allowable and non-allowable expenses from numerous transactions, and determining total taxable income, was a real mystery for a taxpayer who had no basic knowledge of the concepts involved. This mystery was intensified by their belief that business and family were a single entity (Section 6.3.3), which made them feel that business expenses and family expenses should not be differentiated when it came to allowable tax expenses. This finding is supported by Coleman and Freeman (2002:152) who argue that many immigrant-owned small family businesses in Australia, due to troublesome experiences with the government, emphasise family over business, which influences their attitude “towards voluntary tax compliance and to the ATO.”

Findings suggested that income-splitting was another issue that played an important part in tax compliance actions (Section 6.3.3, fourth paragraph). Family members were included in the business ownership to spread business income and to increase tax savings, which often resulted in tax evasion. Taking

advantage of these opportunities added complexity in income determination, because of the administrative and technical issues involved in such tax-related arrangements. It was argued by respondents that determination of income was also complicated by the potential threat that HMRC would disbelieve the submitted return and demand more tax. As a safeguard, the initial income declaration was kept low to keep some room for HMRC audit adjustment. The respondents criticized the typical assumption of HMRC that business income could never fall, and that taxpayers would always to report higher income than in previous years.

9.3.1.4 Tax Calculation

Then came tax calculation, where many immigrant business (14.9%) were not sophisticated enough and encountered difficulty in applying the appropriate tax rate to their income (Section 6.3). To most immigrant businesses, the marginal tax rate was too high, and calculating taxable profit as separate from accounting profit, to which tax credits and allowances were applied, was difficult (Section 6.3.4). Calculating accurate tax liability was more difficult if it involved complicated financial transactions, especially capital income. International tax literature supports the idea that accurate calculation of tax liability is difficult in a self-assessment tax system because of the cognitive ability and energy taxpayers need if they are to process tax information (Slemrod and Gillitzer, 2014).

It appeared from respondent observations that complying with requirements for payroll tax and contributions to national insurance caused much psychological and practical discomfort. Collecting payroll taxes with any degree of accuracy meant imposing an extra burden on wages and increasing the possibility of losing essential business staff (Section 6.3.4), in addition to the increased administrative cost for record-keeping (Section 6.3.1). In an ethnic-controlled business, for

example, in the Bangladeshi curry industry, where employees are mainly supplied from within the community, retaining staff for their unique expertise is perceived to be more important than being a sincere taxpayer. Such dependence on ethnic labour is also one of the reasons for the bulk cash transactions immigrant businesses make (Section 6.4.6). This finding is supported by extant literature (Delgado, 2011, Halkias and Adendorff,2014; Kloosterman et al.,1999: Andrejuk, 2016). Zhou (2002) comments that immigrant entrepreneurs and their co-ethnic workers prefer cash transactions since it makes tax evasion easy for them, although such practices create a highly problematic record-keeping and accounting burden on the owners.

9.3.1.5 Return Filing Procedure

A few respondents stated that tax filing procedure was a problem because of their technical inability or lack of confidence to manage online return submissions (Section 6.3.5). However, leaving the return submission function to a tax adviser and sharing the password for their online account with this person often created fraudulent tax practices. Seeking tax advice from the HMRC online help desk or tax clinic was an option; but business owners' experiences of seeking advice from the helpline might not be always be rewarding, sometimes due to a linguistic barrier, sometimes due to an innate fear of sharing sensitive business details with a tax office representative. There were examples in the interviews of occasions when, at a time of critical tax problems, tax help had been much needed, and not much help had been forthcoming, which frustrated the taxpayers and meant hiring advisers at high fees.

9.3.2 Perceptions of Tax System Complexity by Immigrant Businesses

This was the second component of the first main research question that was attempted to be addressed by the second subsidiary research question. In answering to this question, first, the extent to which immigrant businesses perceived the tax system as complex was measured; then explanations for such perception were explored. Three aspects of tax system complexity, developed after an exhaustive literature review (described in Section 3.3), were identified – “difficulty”, “uncertainty” and “complicatedness”. When these were measured on a Likert-type scale (see Table 5.3, Section 5.8), the results suggested that Bangladeshi immigrant businesses perceived the UK tax system as complex. It was found that nearly 70% of immigrant businesses owners viewed the UK tax system as complex, as opposed to a minority of 30% to whom it was not complex (Table 6.2, Section 6.4.1). Responses made concerning perceptions of tax complexity were scrutinized in the context of immigrant businesses’ socio-economic status, and measured using three of Bourdieu’s four forms of capital: cultural, economic and social. Because of measurement difficulties, symbolic capital was not considered.

Cultural capital was measured with respondents’ self-reported answers to questions on educational qualifications, musical preferences and participation in cultural activities (Section 6.4.2). In terms of educational qualifications, the majority of Bangladeshi immigrant business owners were found to have a school certificate or undergraduate degrees earned in Bangladesh. They preferred Bengali music over other types and participated more in their own community cultural festivals than by visiting those of another community or visiting a museum or art gallery. The bottom line was that Bangladeshi immigrant businesses’ accumulation and use of cultural capital was deeply entrenched within their own

community. The thesis found that Bangladeshis who obtained their cultural capital in their own country perceived the UK tax system as more complex than those who obtained this capital in the UK (Section 6.4.3). So, the research suggested that cultural identity impacted on how these taxpayers perceived the tax system and responded to the requirement for tax compliance actions. There were, however, contradictions to such findings and these suggested that tax acumen was not so much a reflection of cultural background, since it was difficult to manage compliance if one lacked reasonable business as well as tax accounting knowledge. A tax system is inherently complex; and in a multicultural society (Section 6.4.2) where the cultural practices of immigrant communities are largely ignored in the tax policy making process, it may appear more complex than one might anticipate.

The second form of capital was social capital, the network of social relationships needed to secure membership of local and mainstream institutions. Two questions were asked to measure social capital: the first question was about the persons whom the respondents consulted for tax help; and the second one was about the respondents' level of involvement in social activities. Findings indicated that most immigrant businesses (68.3%) consulted professional tax advisers from within the Bangladeshi community, and in some cases, there was consultation with friends and family (Section 6.4.4). For socialization, the respondents were mainly interested in involving themselves in Bangladeshi political party organizations active in the UK. The research found that despite immigrant businesses retaining the services of tax advisers, most of them felt the tax system to be formidably complex. This meant that, on the whole, they appointed a tax adviser to prepare tax returns or accounts, without there being any flow of tax knowledge from their advisers that might improve their understanding of the tax

system. A lack of trust between taxpayers and their advisers, as de Vries (2007) points out, may also be a reason that negatively affects the former's perceptions of the tax system.

It appeared from the research for this thesis that immigrant business owners involved in political activities tended to perceive the tax system as more complex than those involved with other social or cultural organizations. In this regard, some respondents explained that tax was a critical element for social engagement and inclusiveness. For a person to be involved in a political organization and to earn social recognition through this would require him to practice proper tax compliance behaviour, which was difficult for members of immigrant communities due to their alien status and poor economic situation in the destination country. This finding, to some extent, contradicts that of Slemrod and Gillitzer (2014), who argue that political engagement deters people from tax non-compliance as though the tax system were complex. Immigrant taxpayers who are isolated from the mainstream society are at an increased risk of non-cooperation with the tax system, or even oppression by it. A large power distance between "We" and "They" increases the gap between immigrant businesses and the tax administration (Section 6.4.4). It is, however, argued that second generation immigrants may become better socialized in terms of British culture and be better taxpayers.

Economic capital was perhaps the most important component in people's status and choice making. Two questions, one about total business capital and the other about residential property ownership, were put to the respondents to measure their possession of economic capital. The research found that most immigrant business owners (70.3%) had business capital of less than £100,000, and only a

very few (fewer than 10%) over £300,000 (Section 6.4.6). Limited access to formal credit, and the use of pooled savings from friends and family, could be one explanation for this low volume of business capital. In contrast, homeownership was high (74.3%) among immigrant business owners, perhaps because they found investment in residential property to be a sounder proposition than investment in business.

Cross-tabulation between perceptions of tax complexity and business capital showed that those who perceived the tax system as complex mainly belonged to the low business capital group (Section 6.4.7). There was also evidence that the majority of homeowners perceived the tax system to be complex, while the majority of those who lived in rented property viewed it as easy. In other words, the tax system was proportionately more complex for those who had a lesser amount of business capital and those who owned the house they lived in than for those who rented their accommodation.

Economic circumstances affected perceptions of tax system complexity significantly. The respondents' explanations indicated that, in order to minimize or eliminate taxes, Bangladeshi immigrant businesses preferred cash transactions. The resulting tax savings from such operations were transferred to support families back home or invest in property. Remittances sent abroad without an accompanying statement in the tax return increased the complexity and scale of tax issues (Section 6.4.7). It was found that fees paid to tax advisers added to the tax compliance burden and remained a matter of concern for low-income immigrant businesses. Such concerns got much higher if small businesses had to deal with the tax administration or the tax courts over extra tax audits and litigation. Another fact that contributed to their perception of tax system

complexity was the underreporting or hiding of income from the tax authority to maximise social welfare benefits, which was both a social and an economic explanation (Sections 6.4.4 and 6.4.6) for their perceptions of tax system complexity.

9.3.3 Tax Risk Management and Immigrant Business -Tax Adviser Relationships

To understand how tax risk is managed in the immigrant society was the second main research question for the study which was attempted by third, fourth and fifth subsidiary research questions. The third subsidiary research question examined what tax risk management meant to immigrant businesses, the fourth one looked at the extent to which they relied on professional tax advisers, and the fifth one investigated the nature of relationship between them and their advisers (Section 5.3.2). The research found that immigrant businesses viewed tax and non-tax risk in the same way: risk should be something manageable, tolerable and measurable. A business would enjoy higher profits or more economic capital if tax risk could be managed successfully; but undefined risk might affect business and social position negatively (Section 7.2). Several respondents noted that they considered tax risk very carefully, although some of them were found to be careless about keeping proper business records, which was one of the reasons for increased tax risk. Keeping proper documents might have been difficult for immigrant businesses due to their transitional or transformative habitus in the new field, or their inherent carelessness about tax matters.

Starting from their old Bangladeshi habitus, immigrant businesses experienced conflict about tax compliance and tax risk in the UK social setting until they caught up with a new habitus. As they navigated the new tax field, they built up a new

tax strategy and formal or informal tax planning. To immigrant businesses, having good tax planning meant reducing tax bills in a lawful way; but such planning could also be shadowy and could cross the boundary between tax avoidance and evasion (Section 7.4). In taking effective tax risk action, the community relationship between immigrant businesses and their tax advisers, where everyone knew everyone else and it was difficult to hide business and life style information, played a significant role. While the community relationship might produce benefits in virtuous tax risk management, it might also be one of the reasons for exploitation and domination (Sections 7.4 and 7.6.3). Tax advisers might use their knowledge and expertise as a mechanism of client control.

Findings suggested that immigrant businesses habitually depended on social welfare benefits, which induced some of them to underreport income and take higher tax risks, while it encouraged others to be more responsible about tax obligations (Section 7.4). This dichotomy in tax risk behaviour within the same class of people indicated that individual tax habitus might be different from class or group habitus, due to differences in their relative possession of cultural, economic and social capital.

The research found that most Bangladeshi immigrant businesses depended on Bangladeshi tax advisers, and Bangladeshis were the major clientele of Bangladeshi accountants (Section 7.4). This structural and functional homology allowed immigrant businesses to share all tax concerns with their accountants. Underlying their tax risk behaviour, the nature of the economic activities they were engaged in played a critical role. Excessive imbalance between expenditure and income forced some immigrant businesses to adopt creative or evasive tax risk management practices. Added to this were unstable tax legislation and the attitude of the tax authorities, which encouraged immigrant businesses to disobey

the tax system and engage in risky behaviour. Taxpayers satisfied with the tax system accepted and performed tax obligations naturally and attempted to avoid risky tax actions.

The extent of dependence on tax advisers by immigrant businesses was high. More than 80% had a contract with a tax adviser; and the rest either had an in-house accountant or an in-house accountant and a contractual arrangement. Uncertainty in the tax system was one of the important reasons for such dependence, and immigrant businesses depending on contracted tax advisers perceived the tax system as more uncertain than those depending on in-house accountants (Section 7.5). Further investigations suggested that confusion about return filing and incomprehensible legal language remained prime reasons for seeking an external tax adviser, while busy and voluminous business operations led to appointing an in-house tax adviser. It was found that most immigrant businesses considered their advisers' recommendations seriously, which gave an idea about the serious extent of dependence on tax advice.

The nature of their business impacted on business owners' dependence on tax advice. Some businesses were significantly more complicated than others, and needed more tax planning arrangements and expert tax advice. Along with business complexity, volume of business capital mattered in choosing tax advisers (Section 7.5.1). Businesses with higher capital tended to depend more on in-house advisers than on hired ones. Some respondents claimed that they would be able to lower their dependence on advisers if HMRC would increase the number of free accounting support services or easy-to-connect helpline services. Helpline facilities as a source of tax advice were not only sought by the taxpayers, but often by the tax advisers for information or clarification of tax rules. Some frustrated immigrant businesses felt that a simpler tax system could reduce

the need for tax advisers and save taxpayers money spent on professional consultation.

However, since advisers were always available, and they had the symbolic power of professional expertise, dependence on them came naturally (Section 7.5.1). This observation goes with Bourdieu's proposition that symbolic power is a transformed and transfigured form of other powers emanating from cultural, economic or social capital. The finding that tax professionals hold symbolic power also has support from the literature. Addison and Mueller (2016) argue that professional accounting and tax firms enjoy great symbolic power, which they earn by their talent and technical expertise. Their engagement in the tax risk game or their possibility of outwitting the tax authority depends to a great extent on how much expertise they have as professional.

This research showed that immigrant businesses generally believed that almost all tax problems could be referred to and solved by advisers if the relationship with them was based on mutual trust and respect. They further believed that hiring an internal tax accountant was quite profitable, since such an accountant could generate more tax savings than a tax adviser engaged under contract. A dedicated internal tax expert could produce more economic capital for the business, on the one hand, and on the other, could consolidate their social position within the tax field. Therefore, dependence on tax professionals can be viewed as a transmutation of cultural capital (an adviser's qualifications and expertise) to economic capital (a business owner's tax savings and income). The fact that tax professionals produce economic benefits for taxpayers is well documented in the literature (Hite and McGill, 1992; Sakurai and Braithwaite, 2001; Sikka and Hampton, 2005; Gerstein and Friedman, 2013). Stephenson (2015) claims that the underlying motivation for hiring tax professionals has been

to minimize tax risk and maximize money savings by making the tax return accurate and avoiding audits by tax authorities.

It appeared that the nature of the relationship between tax advisers and immigrant businesses could be one of power and influence or of cooperation and support (Sections 7.6, 7.6.3 and 7.6.5). Factor analysis of 11 items showed four factors – professional knowledge, cooperation and esteem, dependence, and coercive pressure – that described the perceived relationship in immigrant business-tax adviser relationships (Section 7.6.1). These four factors, cumulatively, explained 67.8% of the variance among all the variables used in the factor analysis. Similarly, cluster analysis of interview excerpts revealed that an uncertain tax environment and the expectation of quality and accurate tax returns were the reasons for hiring a tax adviser. However, their relationship passed through a unique blend of hierarchical authority, caused by professional power and influence and norms of reciprocity, which in turn was caused by professional trust and mutuality.

The form of professional power was not like a threat or pressure, but was a benign organizational force happening contextually (Section 7.6.3). In a relationship of exchange between two economic agents, i.e., businesses and professions, based on give-and-take, the exercise of power by one over the other was normal. Tax advisers' gatekeeping role in regulating access to tax and legal services was one of the factors that gave them the power to dominate clients' tax decisions. The corresponding class positions of the taxpayers and the tax advisers mattered in this power game. If a tax adviser's social position was higher than the taxpayer's, domination was easier and happened without being noticed. If the class position of an immigrant business owner was higher than that of his/her tax adviser, the domination rule might not work or might even be put into reverse.

The semi structured interviews provided evidence of this structural opposition in tax professional-client relationship.

In the sphere of domination, professional knowledge played a moderating role. A tax adviser with higher professional qualifications and accreditation enjoyed higher social recognition and symbolic domination. It was through tax knowledge and the quality of their service that advisers survived in the struggle for the tax field and in client-hunting and client-retention (Section 7.6.4). Tax professionals could seldom control a client if the client's disclosure was perfect. The relationship discourse thus moved within the bounds of trust and cooperation, mutual understanding and respect (Section 7.6.6). In a community tax practice, trust and cooperation acted as the glue in the relationship. One tax practitioner, in Fogarty and Jones's (2014:292) study, comments "trust is everything" that builds partnership with clients and "a team trying to accomplish a goal." These authors assert that client loyalty and trust improve working relationships and bring efficiency in tax practice.

This reliance on mutual trust and cooperation, as opposed to coercive tax practice, indicates that the relationship between taxpayers and tax advisers is far more complicated than one imagines and cannot be reduced to a simple explanation (Section 7.6.4). As well as trust, there is the possibility of a breach of trust in dealing with a client's tax and accounting records. Bitterness may also develop in the relationship due to exorbitant and unagreed fees charged by the adviser, particularly at times of danger. This finding matches that of Roberts (2001), who finds that tax professionals know every detail of taxpayers' financial position and can extract fees disproportionate to the services they provide. He further argues that, from whatever perspective it is viewed, e.g., functionalist,

interactionist or critical, their relationship is governed by self-interest and professional welfare rather than public interest or public welfare.

9.3.4 Tax Habitus of Bangladeshi Immigrant Businesses

The third and the final main research question looked at the set of assumptions, beliefs and attitudes of Bangladeshi immigrant businesses that produced their tax compliance thoughts and actions within British society (Section 5.3.6). To answer this question, the tax and the social fields, the forms of capital and the struggles that Bangladeshi immigrants faced in British society were identified. In the area of tax compliance, the cultural attitude to tax was found to have important implications for tax system engagement. It was found that some respondents felt that being loyal to the tax system and paying taxes was a precondition for their existence as immigrants in British society (Section 8.2). But there were respondents, at the same time, who were habituated to illegal tax practices and being free riders in society. Underlying their tax attitudes, home country experience and exposure to home country taxation played a critical role, particularly for first-generation immigrants. It was apparent from the interviews that first-generation Bangladeshi immigrant businesses had no or little experience or “habit” of paying income taxes. It was in the UK that they had developed the habit of tax payment.

The tolerance and respect of native British people towards immigrant communities and the high quality of British public services encouraged Bangladeshi business owners to transform their internalized attitudes to tax compliance. However, immigrant business owners' tendency to return to their homeland often made them careless about host country tax regulations. The interviews highlighted that, due to social isolation, they always compared the UK tax rate with that of Bangladesh and looked for ways to pay low or minimum taxes,

although they were attracted to the social welfare benefits of UK society (Section 8.2.1). This contradiction indicated that Bangladeshi immigrant businesses oscillated between these two social fields, which between them produced a destabilized or divided tax habitus.

Survey findings illustrated that immigrant businesses held positive attitudes to tax compliance, measured with three attitude components, including their perceptions of (a) the importance of tax compliance; (b) concern about tax compliance; and (c) feelings about tax compliance. These perceptions, however, varied with the social class position of immigrant businesses (Section 8.2.3). Three major patterns of perceptions emerged: first, immigrant business owners with low business capital and with academic qualifications from the UK thought tax compliance was important and they felt good when compliance was achieved; second, immigrant business owners with high capital and involved in political organizations viewed tax compliance as rather unimportant; and third, immigrant business owners with Bangladeshi academic qualifications and who were dependent on tax advisers were very concerned about their tax compliance obligations.

The racial identity and social gap immigrant businesses faced in UK society made them feel outsiders in the UK, which undermined their motivation to engage with the tax system. It was observed by some business owners that the treatment they received from tax inspectors was not very pleasant (Section 8.3). They believed that tax compliance or even non-compliance would have been much easier if they did not have the social identity stigma of being an immigrant. This finding was consistent with that of Wenzel (2007) who states that people with inclusive social and national identity show greater concern for tax compliance and attribute

greater legitimacy to the tax system than those with subgroup identity. Wenzel (2007) also argues that tax ethics and a sense of shame and guilt are positively related to how a subgroup of taxpayers position themselves in society relative to other taxpayers and the tax authority.

Racial prejudice was one significant factor given as a reason why most immigrant businesses depended on a Bangladeshi tax adviser. With racial identity, tax habitus was modified by the business owners' ethical and moral standards. It was found that some respondents felt that not paying taxes and sending money to Bangladesh was morally wrong and ethically demeaning when British society provided them with so many high-quality services and types of support, often free of charge (Section 8.4). Such an influence of morality and ethics on tax habitus, however, did not mean that immigrant businesses as taxpayers would not resort to conscious and unconscious tax compliance strategies. Strategic calculation was a part of performing an action which might not conflict with one's moral and ethical norms.

Class identity was another vital factor intertwined in the habitus-forming process. The research suggested that immigrant businesses' tastes, behaviour and choices were the outcome of their class status (Section 8.5). In the interviews, the respondents related some of their behaviours, for example welfare dependence, to their immigrant class problems. Bangladeshi small businesses as a social or ethnic class were found to maintain a high social distance from British society. Life-style differences made them less willing to embrace the UK tax system. Even when the class position of a native and an immigrant business owner were the same in terms of their occupational category, the former was likely to hold more cultural capital than the latter. This matches the results of the

study by Huang et al. (2016), in which they argue that class and the overt social stratum occupied are deciding factors for immigrants to New Zealand in entering the accounting profession, along with the institutionalization of racial/ethnic discrimination.

The research found that the social and historical trajectory through which a class of people made sense of the world had an impact on their tax habitus. The research study proposes that, since habitus is class-based, tax compliance practice is also likely to be class-based (Sections 8.5 and 8.6). Thus, the tax compliance practices of Bangladeshi small businesses are likely not only to differ from those of native taxpayers but also likely to be different from those of other immigrant business communities in the UK because of the differences in their racial and class experiences.

9.4 Overall Study Findings and Contribution

There has been ample research examining the effect of demographic and ideological variables on tax compliance attitudes; but there is little research on how taxpayers' identity as immigrants creates challenges as they fulfil their tax obligations in a new social context (North and Trlin, 2004; de Vries, 2007; Constant and Zimmermann, 2013; Yuan et al., 2013; Inland Revenue, New Zealand, 2014). This research contributes to the relevant body of knowledge by providing empirical evidence on the tax compliance practices of immigrant businesses and the struggles they face in engaging with the tax system of a new social field. This study adds a new knowledge on immigration literature at a time when immigrants constitute 3.3 per cent of global population and greater rate is anticipated for the future (United Nations, 2015). Growing migrations in cities not only leave them with growing population but also with growing tax bases.

Knowledge on immigrants' tax attitude would enable the tax authorities to better exploit the tax revenues.

The key contribution of the thesis is to the development and application of Bourdieu's theory of practice to the study of immigrant businesses' tax compliance behaviours. As elaborated in Chapter 4, this thesis has drawn on Bourdieu's social theory and has documented the interplay of his conceptual triad of capitals, habitus and field in the fulfilment of tax compliance activities by immigrants in an unfamiliar social space (Bourdieu 1990; Bourdieu and Wacquant, 1992; Bourdieu et al., 1994; Ojo et al., 2013; Lebaron, 2014; Li, 2010). This research has provided empirical evidence that immigrant businesses' perceptions about the host country's tax system are grounded in their sociocultural and economic status, inherited from their own countries, which are likely to change as they assimilate the culture of the destination society (see also Ignatow, 2009; Terjesen and Elam, 2009; Vaisey and Lizardo, 2010; Drori et al., 2010; Thatcher and Halvorsrud, 2016).

This research argues that tax compliance, like other social practices, is intertwined with taxpayers' racial and class positions, and how they perform it is likely to be unconsciously conditioned by the thoughts and beliefs acquired from the various social fields they have traversed. Based on the empirical evidence (Sections 8.2.3, 8.3 and 8.5) and Bourdieusian argument, the study suggests that the way Bangladeshi immigrant businesses behave in response to their tax compliance obligations may not only differ from that of the native business taxpayers but also from that of other immigrant businesses in the UK.

While the study argues that low knowledge levels of bookkeeping, and less chances for tax planning are major problems for immigrant business tax

compliance, it acknowledges that they are not uniquely Bangladeshi small business issue. Review of international tax literature (Rothengatter, 2005; Greenhalgh and Lowry, 2011; Kamleitner et al., 2012; Pabon and Klima, 2017) suggests that they remain as common problem for small business taxation, whether owned by immigrant or non-immigrants families. The significance of this findings in the particular context of the Bangladeshi immigrant businesses is that due to the huge dependence on Bangladeshi community for workers and to help them with payroll taxes, maintaining proper documents becomes difficult (Section 6.3.4). Added to this is the financial burden of supporting families back in Bangladesh make them indulge in document manufacturing and evasive tax practice (Section 6.4.6).

In this connection, the study further claims that the huge volume of illegal cash transactions and the resultant tax evasion is mainly an economic problem; for the business owners, the motivation for this is to reduce cost of business and for the worker is to save income. Businesses having cash transactions tend to have no records, suggesting that having cash and having no records go together and cannot be separated. This is consistent with other studies e.g., Haynes et al. 1999. Further, HMRC (2018) are aware that small businesses make up the largest proportion of unpaid tax and this research adds to our understanding of why this is the case.

The study found that lack of trust with some tax advisors would cause clients to incur a greater tax liability. Lack of trust is one of the reasons for confusion and disputes between them which creates difficulties in the working relationship (Sections 7.5.1 and 7.6.3). Untrustworthy tax practice gets worse when the tax advisers charge high exit fees and threatens to disclose business secrets to tax authority. Both the tax advisers and the tax advisers in the interview believed that

trust and cooperation stimulate mutual benefits and ultimately improve tax compliance actions (Section 7.5.6). Finally, this study adds to our understanding of how family ownership and management influence tax compliance practices by immigrant businesses and the influence of the tax advisers on them.

9.5 Implications for Theory

The thesis has fulfilled its main research goal of helping us understand tax compliance practices in the specific context of Bangladeshi immigrant family businesses in the UK. It has shown the importance and relevance of Bourdieu's sociological approaches to the formation and maintenance of immigrants' ethnic and group image during the acculturation process in a foreign country where they constantly face questions about race, class and identity (Shannon and Escamilla, 1999; Smallbone et al., 2005; Perry, 2012; Wallace, 2016).

In this thesis, the structure of the tax field, the host country institutional context, and its mechanism of operation were presented from a relational perspective to demonstrate the formation of tax habitus of the immigrant communities (Figure 4.1). The sociological reasoning behind the tax field and habitus is reflexive and potentially circular or bidirectional, which means that the tax habitus of Bangladeshi immigrant businesses affects the UK tax field, and in return the UK tax field affects the tax habitus of Bangladeshi immigrant businesses (Jenkins, 1992; Sweetman, 2009; Reay, 2004).

The findings of the research study were broadly consistent with Bourdieu's theory. For example, Bourdieu's argument that different forms of capital have a significant role in how people configure their strategies and actions in the field proved to be useful in this study. The research showed that people's perceptions

of the tax system differed widely according to the stocks and the quality of their capital (Section 6.4.3, figures 8.1-8.6, Section 8.2.3).

In consistent with Bourdieu' philosophy, the research found that first-generation Bangladeshi British who had no idea about income tax had adapted to the UK tax system through years of interaction, working and living in the UK (Sections 6.4.4 and 8.2). This transformation of beliefs and actions to tax compliance by Bangladeshis might have been triggered by the various influences these people underwent in the social and tax fields of the UK. At the same time, immigrant business owners who felt uprooted in the UK (Section 6.4.2) or constantly compared life, tax rates and the tax system in the UK with those of Bangladesh (Sections 8.2.1 and 8.2.3) represented a cleft or divided habitus, which meant they found it problematic to fully participate in the UK tax system (Ingram and Jessie, 2016; Thatcher and Halvorsrud, 2016).

The reproduction of hierarchy in the tax professional-client relationship was another area where the Bourdieusian view made a positive contribution to theory. The evidence that tax advisers exercised power in controlling taxpayers' tax decisions (Section 7.5.3) and used professional knowledge as an instrument of symbolic domination (Section 7.5.4) supported Bourdieu's proposition that power acts as one of the governing dimensions in everyday social life. Fogarty and Jones's (2014) observation is similar to this finding. They state that tax professionals' knowledge has a special meaning and creative ability in furnishing resources to clients by strategically putting such knowledge in the context of tax determination.

Where this thesis differs with Bourdieu is over the impact of ethics and morality on the formation of habitus. The thesis argues that in a country of high tax morale

and ethics like the UK (see Section 2.5.2), violation of tax laws is highly likely to affect moral dispositions or tax habitus (Section 8.4). For instance, there were some respondents who expressed concern and remorse about evasive tax practices by immigrant businesses (Section 8.4, fourth paragraph). One respondent felt morally persuaded to comply with the UK's income tax laws and pay tax – “the government gives me service, I should pay some money” – as he commented. This contradicts Bourdieu's rigid and overly deterministic concept of habitus, which restricts the possibility of social mobility or social change, except at the margins (Ebrahim, 2003; Reay, 2004).

An important implication of the study findings is that the global tax authorities need to consider that immigrants are a separate community of taxpayers. Immigrants in the lower socio-economic group usually suffer from poor education and social network. For them, it is particularly difficult to manage access to quality information, keep proper accounting records and fulfil the bureaucratic requirement of taxation. Establishment of community-based tax and accounting help centres is likely to increase their tax knowledge and may encourage them to be more transparent about their business and economic activities. However, state funded tax education programme can be one way a help them overcoming this difficulty but at the end it is legal responsibility of the immigrant communities to educate and socialize themselves with the tax system. Immigrants should bear in mind that tax compliance is a strong evidence for their intention of being a good immigrant.

In summary, the findings of the thesis could be understood from different perspectives and theoretical angles; but in uncovering the mental and social

structures of the tax compliance behaviours of an immigrant community, Bourdieu's ideas and concepts were found to be more contested than others.

9.6 Generalizability of Study Findings

Immigrant communities across the world have many things in common, such as social isolation and economic difficulties (Section 3.2.2). Immigrant businesses are increasingly dependent on their own community for business and tax advice, and they display similar attitudes to tax compliance management. The international literature suggests that a complex tax system is a problem for immigrant businesses in almost all countries (Section 1.1). The literature also indicates that the cultural and social practices of many immigrant communities are similar in many respects (Section 3.2.3). For example, Bangladeshi immigrants have much in common with Indian and Pakistani immigrants in terms of religious, cultural and economic habits. According to Moxon (2004), British Pakistani, Bangladeshi and Indian (Muslim) enclaves have tended to be homogeneous during the last two generations and have re-created the traditional life they used to live "back home". These similarities between the communities indicate some possibilities that the results of the thesis may be relevant to these wider groups of immigrant businesses as well as to Bangladeshi businesses.

It must, however, be remembered that, according to Bourdieusian arguments, immigrant businesses with different historical, cultural and economic trajectories may exhibit a different tax habitus and different relational dynamics with their tax advisers. It is also important to consider that, despite immigrant communities having common features, each of them has its own class experience, education

and racial identity. Therefore, the study findings need to be verified when the study context differs.

The analytical framework, research design and sampling methods of this research also impinge on the generalizability of the study findings in aspects other than contextual factors. The study used a mixed methods research design and conducted a field survey, in addition to in-depth face-to-face interviews (Section 5.5.3). The high response rate of 72% meant that the external validity (Section 5.6.3) and factor analysis and Cronbach's alpha coefficients (Sections 7.5.1 and 8.2.3) supported the reliability and construct validity of the data – necessary conditions for the generalizability of research findings. In the case of interviews, maximum variance sampling was followed and interviews were conducted until a saturation of information was reached (Section 5.6.2), which is an essential condition for the analytic generalizability of qualitative data. However, the large number of survey participants from catering businesses (Section 6.2) may not reflect the reality of other immigrant business communities. This may negatively impact on the generalizability of the study.

9.7 Limitations of the Study

While the research problem was studied with a sound research method, there were some limitations to the study that need to be acknowledged. First, the variables chosen for factor analysis were measured from a survey questionnaire, and in this, method bias is very common. Survey-based studies have the limitation of using perceptual data rather than the actual behaviour of the respondents. The study took 11 variables to measure the nature of relationships between tax advisers and immigrant businesses, but these respondents were busy and often insecure in discussing tax compliance issues with an outsider

(Sections 5.12 and 5.13). As a result, the study may have omitted factors that might have had an important bearing on the tax professional-client relationship. However, to mitigate this problem, survey techniques were followed carefully to ensure that the measurements of variables were accurate. Most variables were measured through multiple-item questions and the reliability measures for each of them were satisfactory. Furthermore, the first factor accounted for 22.35%, second factor accounted 16.72%, third factor accounted for 14.33% and the fourth factor accounted for 10.33% of variance in the sample (Section 7.5.1).

Second, the study sample was small, and the research was conducted within the context of small Bangladeshi family businesses in the UK. The results of studies of other immigrant business communities in the UK or in other countries might be different. Dobbins (2005) argues that countries usually differ significantly in several dimensions. Thus, findings arrived at in UK society may not fully apply to small immigrant businesses in other countries. The purposive sampling was also a limitation for the generalizability of the study findings. To mitigate this problem, participants were selected from different regions of the UK, for better representation of the study population. Moreover, it is possible for purposive sampling to be successfully used to perform unbiased estimates of the surveyed population (Hirsh, 2016).

Third, some survey questions in the study were asked directly with yes-no answer choices. There is a criticism that direct questions limit the answer choices of respondents and may fail to capture valuable information. Similarly, there were some variables measured with single item questions. There are however ample examples in taxation and in other studies based on questionnaire survey where direct and single item questions have been successfully used to produce

scholarly academic works (Section 5.10). Moreover, this research collected qualitative data through in-depth interviews to supplement quantitative data and consolidate the research findings.

9.8 Future Research

Research into immigrant businesses' engagement with the tax system using Bourdieu's theory of practice as a guiding framework seems to be novel in fiscal sociology. This research considered only one case, small Bangladeshi family business taxpayers. Future research might focus on taking multiple immigrant communities to explore how tax compliance practices and tax adviser-taxpayer relationships differ in distinct cultural and social contexts. Besides small family businesses, as used in this study, future research could focus on large or medium sized businesses whose possession of economic and social capital would be higher than that of small businesses. This research did not address the significance of symbolic capital. Future research could examine how symbolic capital develops from the other three forms of capital and influences tax attitudes.

The sample size in this study was small. It is suggested that future studies consider a larger data set comprising more variables and extend it to other immigrant-receiving countries in Europe and North America, to gain a more comprehensive view of the problem. Further research could compare a native and an immigrant community to see how their tax habitus differed from each other. Future research could also use different analytical methods to test whether there exist different degrees of influence for each of the factors used in measuring the nature of the relationship between tax advisers and taxpayers. An exciting area of future research would be to examine the transformation of tax attitudes and the shifting meaning of tax compliance over immigrants across generations.

To conclude, this research was carried out from the standpoint of immigrant taxpayers and immigrant tax advisers. The views of the tax administration and other social and economic agents actively engaged in the tax and economic fields were not consulted. Conversations with other stakeholders could open new layers of tax compliance narratives about immigrant communities. Finally, the study of the tax habitus of family owned immigrant businesses may be different from that of non-family immigrant businesses, another potential topic for future research.

APPENDICES

A1: Letter of introduction from lead academic supervisor



University of Exeter Business School
Streatham Court
Rennes Drive
Exeter
UK EX4 4PU

Telephone: +44 (0)1392 726267
Fax: +44 (0)1392 723210
Web: www.exeter.ac.uk/business-school

To Whom It May Concern:

M.Z.H. Akhand

This is to certify that Mr Zakir Akhand is a doctoral researcher at the University of Exeter, carrying out research towards his Ph. D. degree.

His research is governed by the regulations of the University, which permits complete anonymisation of all sources of information.

I would be grateful for any information and assistance that you can provide to Mr Akhand.

Yours faithfully

A handwritten signature in black ink that reads "Lynne Oats".

Professor Lynne Oats
Professor of Taxation and Accounting
Exeter Business School
University of Exeter

Email: L.M.Oats@exeter.ac.uk
Phone: 01392 726267

A2: Research participation and consent form

My name is Zakir Akhand; I am a PhD candidate in the University of Exeter. My research looks at the tax compliance behaviour of immigrant family businesses in the UK, taking Bangladeshi Businesses as the case. This research involves a survey for which I need your participation. All information gathered will be strictly confidential, and will be stored according to standard research ethics. *I can assure you that the outcome of this research will not contain any details by which participants can be identified.* Also, if you would like a copy of the study, please provide me with your address and I will send you a copy when it is published. *It would be appreciated if you would provide your answers to this survey within the next two weeks.*

Your participation in this project is completely voluntary and you may refuse to participate at any time. If you have any questions about this research, you can call me at my cell number (07825018651) or email me (zha202@exeter.ac.uk). You may also contact my dissertation supervisor, Professor Lynne Oats, (email - L.M.Oats@exeter.ac.uk, Tel: +44(0) 1392 726267) if you have questions about your rights as a participant in this study. If you agree to participate in this research project, please sign below:

I agree to participate in the survey/interview:

[Circle one]:

Yes No

Participant's signature Date Investigator's signature Date

Participant's name: Investigator's name:

Participant's age:

Participant's organization:

A3: Ethics Form: University of Exeter Business School

This form is to be completed by PGR student and signed by the primary project supervisor. Only students with a lead supervisor in the Business School can apply for ethics clearance to the Business School ethics panel. Those with a lead supervisor in another school or institution should seek advice from their relevant ethics panels.

When completing the form be mindful that the purpose of the document is to clearly explain the **ethical considerations** of the research being undertaken. Please include relevant and adequate detail for the ethics review panel to make their decisions about the ethical considerations you have made for your project. Please note that it is the responsibility of the student and supervisors to identify where their research may raise ethical issues, familiarise themselves with the ethics procedures and submit their work for review well in advance of starting their project. **Retrospective ethics applications will not be considered.**

Once completed, please submit the form electronically to and post a hard copy to Business School Research Office, Forms will only be forwarded for approval once the hard-copy has been received.

University of Exeter's Ethics policy relating to research

The University of Exeter is research intensive and dedicated to furthering knowledge in a responsible and exacting manner. In the conduct of research by academic staff and students the University strives to protect the safety, rights, dignity, confidentiality and anonymity (except where covered by an appropriate protocol) of research subjects, the welfare of animals and the sustainability of the environment. The University also endeavours to safeguard the wellbeing, rights and academic freedom of researchers and the reputation of the University as a centre for properly conducted, high quality research. The University maintains a separate *Code of Good Practice in the Conduct of Research* which it requires all researchers to follow²⁶.

Ethical issues are manifest in a wide variety of research activities and arise especially when the conduct of research involves the interests and rights of others. The adoption of an ethical position in respect of such research requires that the researcher observes and protects the rights of would-be participants and systematically acts to permit the participants to exercise those rights in full accordance with UK law. Ethical practice in such cases requires that participants and/or legal guardians, at a minimum, be fully informed, free to Volunteer, free to opt out at any time without redress, and be fully protected in regard to safety according to the limits of best practice. The Business School follows the policy set by the University of Exeter.

The University also upholds principles of **integrity** and the need for researchers to be honest in respect of their own actions in research and their responses to the actions of other researchers. Researchers will be required to comply with requests to the University under the Freedom of Information Act 2000 and practice **openness** in their research endeavours wherever possible.

Part A: Background of the research project

Title of project	Tax Compliance in Immigrant Communities: Bangladeshis in the UK
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²⁶ <http://www.exeter.ac.uk/research/toolkit/throughout/goodpractice/>

Name of lead researcher / Primary investigator for this project and affiliation	Md Zakir Hossain Akhand PhD Student, Department of Accounting Business School, University of Exeter
Name(s) of other researchers and affiliation (s)	1. Professor Lynne Oats, Department of Accounting 2. Dr Gregory Morris, Lecturer, Department of Accounting
Start and estimated end date of project	November 14, 2014 to November 30, 2017
Source of funding for the project	From the PGR budget
Is this application being made prior to a grant application? Which funder?	No
Aims and objectives of the project	The objective of the research is to understand tax compliance and the tax risk management practices of small immigrant family business, taking Bangladeshi businesses in the UK as the case. The specific objectives are (1) to identify the aspects of tax compliance most problematic for Bangladeshi family businesses in the UK and to understand their perceptions of tax system complexity; (2) to examine the extent of dependence and the nature of the relationship between tax advisers and Bangladeshi family businesses in the UK in managing tax risk and achieving tax compliance; and (3) to explore the tax habitus of Bangladeshi immigrant businesses in the UK by examining the socio-economic and ethno-cultural factors influencing tax compliance disposition in the hostland. In exploring the research problem, Bourdieu's theory of practice will be employed. Therefore, at the empirical level, this study will draw upon aspects and insights of sociological and institutional interactions in the tax field and provide an interpretation of social norms, culture and tax compliance.
Is the main applicant employed by the UEBS for the duration of this project? Note: only researchers employed by the Business School can apply for ethics clearance by the UEBS ethics panel.	Yes

Part B: Ethical Assessment

Please complete the following questions in relation to your research project. If you answer Yes to any of the sections, please elaborate

	Yes	No
Research that may need to be reviewed by NHS NRES Committee or an external Ethics committee (If yes please provide details as an annex)		No
Will the study involve recruitment of patients or staff through the NHS or the use of NHS data or premises and/ or equipment?		No
Does the study involve participants age 16 or over are unable to give informed consent? (e.g. People with learning disabilities: see mental Capacity Act 2005. All research that falls under the auspices MCA must be reviewed by NHS NRES)		No
Research that may need a full review		No
Does the research involve other vulnerable groups: children, those with cognitive impairment, or those unequal relationships? (e.g. your own students) Have you read the appropriate Act; ethical practices governing research with the group you aim to study?		No
Will the study require the co-operation of a gatekeeper for initial access to the groups or individuals to be recruited? (e.g. students at school, members of self-help group, residents of a nursing home?)		No
Will it be necessary for participants to take part in the study without their knowledge and consent at the time? (e.g. covert observation of people in non-public places?)		No
Will the study involve discussion of sensitive topics? (e.g. sexual activity, drug use)		No
Are drugs, placebos or other substances (e.g. food substances, vitamins) to be administered to the study participants, or will the study involve invasive, intrusive or potentially harmful procedures of any kind?		No
Will tissue samples (including blood) be obtained from participants?		No
Is pain or more than mild discomfort likely to result from the study?		No

Could the study induce psychological stress or anxiety or cause harm or negative consequences beyond the risks encountered in normal life?		No
Will the study involve prolonged or repetitive testing?		No
Will the research involve administrative or secure data that requires permission from the appropriate authorities before use?		No
Is there a possibility that the safety of the researcher may be in question? (e.g. in international research: locally employed research assistants)		No
Does the research involve members of the public in a research capacity?		No
Will the research take place outside the UK?		No
Will the research involve respondents to the internet or other visual/vocal methods where respondents may be identified? (i.e. through the findings)		No
Will research involve the sharing of data or confidential information beyond the initial consent given?		No
Will financial or other inducements (other than reasonable expenses and compensation for time) be offered to the participants?		No

[ESRC ethics initial checklist²⁷]

Part C: Further and brief details for any sections answered 'Yes'. If you answered 'yes' to any of the above sections, please elaborate with detail here. Each in turn.

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Part D: Project Summary (Ethical Considerations)

Provide an overall summary of the Research that will be employed in the study and methods that will be used **(no more than 250 words)**

<p>As mentioned above, this research aims at understanding the tax compliance and tax risk issues of small immigrant family businesses in the UK. In achieving this objective, the research will first look at how tax complexity affects the tax compliance behaviours of small immigrant businesses in the UK. It will then examine how tax professionals influence tax risk management practices in immigrant businesses in the UK. Finally, the research will investigate the tax habitus of Bangladeshi small businesses in the UK by considering their socio-economic and ethno-cultural identities in British society. In exploring the research problem, new sociological institutionalism, drawing upon aspects of social norms and culture will be applied.</p> <p>The study will be based on mixed methods research. Specifically, semi-structured interviews will be conducted along with open-ended questionnaires. Data collection will be accomplished from November 4, 2015 to January 15, 2016 in the UK. For</p>

²⁷ ESRC ethics initial checklist, Framework for Research Ethics (FRE), (2010).

selecting the respondents, the researcher will depend on purposive sampling among small Bangladeshi family businesses. Interviews will be conducted face-to-face and by telephone and will be recorded by using a recording mechanism subject to the approval of the interviewees. The researcher will not engage anyone to assist in the collection and transcription of data. For analysis of interview data, Nvivo-20 will be used.

Part E: Ethical Considerations for method(s).

List each of the methods you aim to use to recruit participants and describe the methods you will use to gain their 'informed consent' (If written consent will not be obtained for any of your methods, this must be justified). At the least the following should be considered for each method.

- Confidential and anonymity for all participants and organisations

- Storing of data according to the UK Data Protection Act and also any additional provisions you have to make for the data in other countries where your study is based. *[Note: If the project involves obtaining or processing personal data relating to living individuals, (e.g. by recording interviews with subjects even if the findings will subsequently be made anonymous), you will need to ensure that the provisions of the Data Protection Act are complied with. In particular you will need to seek advice to ensure that the subjects provide sufficient consent and that the personal data will be properly stored, for an appropriate period of time.]*

- Voluntary participation following informed consent

- ***Please attach a copy of every Information Statement and Consent Form that will be used, including translation if research is to be conducted with non-English speakers. Document in verbatim to be provided in cases where consent is to be obtained verbally.***

- Confidential and anonymity for all participants and organisations	Statement attached
- Data will be stored according to the UK Data Protection Act	Statement attached
- Voluntary participation following informed consent will be ensured	Statement attached

Will there be any possible harm that your project may cause to participants (e.g. psychological distress or repercussions of a legal, political or economic nature)? What precautions will be taken to minimise the risk of harm to participants?

No, there is no possibility that the project will cause any mental harm or stress to the respondents.

Part F: Data protection

How will you ensure the security of the data collected? What will happen to the data at the end of the project, (if retained, where and how long for). Please follow guidelines provided by the

I will not disclose /use data except for the purpose of the research. Only I, as the researcher, will have access to the medium on which primary data is stored and they will be secured when not in use. The transcriptions will be stored in the university database on the u-drive and will be password protected. They will only be used for academic purposes and strict confidentiality will be maintained at all stages of the research.

Part G: Notes and Additional Information: Please provide any additional information which may be used to assess your application in the space below.

Part G: Checklist: Please ensure that all sections are ticked before submission. The form will be rejected without review if any sections are incomplete.

All sections A, B, C (if relevant), D,E,F and G (if relevant) in this form have been completed	yes	The study has not started yet	yes
Number of methods to be used (note each below and place in tick in the box for consent forms attached to application form)	yes	The form has been signed and dated by the principle investigator/ lead researcher/supervisor	yes
Any other relevant documents have been attached (e.g. copies of CRB certificates)	N/A	Other attachments:	none
Where an ethics application has also been submitted to an external ethics panel (NRES) copies of approval letters have been attached	N/A		

Signatures:

I have considered all ethical implications for this project and declared all the relevant aspects for consideration of the University of Exeter Business School ethics panel.

Name: Md Zakir Hossain Akhand (PhD candidate)

Signature: Signed by Email (Md Zakir Hossain Akhand)

Date: 28/10/2015

Part D: Supervisor's Declaration

As the supervisor for this research I can confirm that I believe that all research ethics issues have been considered in accordance with the University Ethics Policy and relevant research ethics guidelines.

Name: Professor Lynne Oats (Primary Supervisor)

Signature: 

Date: 28/10/2015

For administration use only: Ethical Approval

Comments of Research Ethics Officer and Research Strategy Group.

[Note: Have potential risks have been adequately considered and minimised in the research? Does the significance of the study warrant these risks being taken? Are there any other precautions you would recommend?]

This project has considered the key issues of protecting participant data. I am satisfied that the researcher has taken due precautions. I presume the research refers to NVivo-11, which is the latest version of this software.

This project has been reviewed according to School procedures and has now been approved.

Name: Adrian R. Bailey (Research Ethics Officer)

Signature: 

Date: 30th October 2015

A4:1 Interview Guide

Introduction: A brief explanation of the purpose of the research and the identity of the researcher will be made, and an assurance given of full confidentiality/anonymization of the data and requested records.

The following are examples of some general and specific questions to be put to family business owners and the tax advisers. This list is not exhaustive:

Broad questions to small business owners:

1. Could you tell me a little about your business and yourself?
2. Who looks at the income tax activities of your business?
3. What are your views about the UK tax system?
4. How do you feel when you pay income tax?

Specific questions to small business owners:

1. What are some of the issues of the UK tax system that influence your income tax compliance?
2. In complying with income tax, which aspects of the tax laws create problems? Why do you think that ----- is a problem and complicates your tax payment decisions?
3. What strategies do you normally apply to overcome these problems?
4. Do you have any ideas about what may be the consequences of not paying income tax?
5. What sort of tax risk do you face in running your business? What do you usually do in identifying the tax risk?
6. Do you think that cultural norms and practices influence tax compliance behaviour?
7. How does the economic conditions of an individual impact on his/her engagement with the UK society and its tax system?
8. Do you think that social status of an individual is a factor for his/her understanding of tax liabilities?
9. In your opinion, how do your class positions in the UK affect your tax compliance attitude?
10. Do you have a tax advisor? What's your experience with the tax advisor so far?
11. How much do you agree or disagree with the recommendations of your tax adviser? What happens when you are not satisfied with your tax advice?

12. Have you ever been in a conflict with your tax adviser? What are some of the reasons for conflicts and how do you manage them?
13. How do you value your relationship with your tax adviser?
14. Have you ever sought any help / put any queries to HMRC, local tax clinic? What was your experience of this interaction?

Broad questions to tax advisers:

1. How long have you been working as a tax adviser?
2. What professional qualifications do you have?
3. Do you have a professional license and membership of professional bodies?

Specific questions to tax advisers:

1. Would you please describe the income tax compliance behaviour of small Bangladeshi owned family businesses?
2. In your opinion, what are the major difficulties they face in paying income tax?
3. Why do you think that ---- emerges as a major difficulty for them?
4. What sort of questions do they ask when you present them with the draft tax return for their business? Can you give an example?
5. Do you find it hard to explain the tax return to them?
6. Do they cooperate you by supplying the documents you ask for from them?
7. How aware are they about the consequences of not paying income tax? Do they have any idea about the risks they may face if they don't pay income tax?
8. Do you think that cultural norms and practices influence tax compliance behaviour?
9. How does the economic conditions of an individual impact on his/her engagement with the UK society and its tax system?
10. Do you think that social status of an individual is a factor for his/her understanding of tax liabilities?
11. In your opinion, how do the class positions of the Bangladeshis in the UK affect their tax compliance attitude?
12. How much do they agree or disagree with the recommendations you make to them? What happens when they are not satisfied with your tax advice?
13. Have you ever been in a conflict with a tax client? What are some of the reasons for conflicts and how do you manage them?
14. How do you value your relationship with your tax clients?

Appendix Table A4.2 List of interview questions with related literature and Bourdieusian concepts

Constructs/Dimension	Related Bourdieusian/other literature	Interview Q No
Questions to Taxpayers		
Perception about tax system	Carnes and Cuccia (1996); Ulph (2014) modified	Broad Q 3
Tax compliance	Christian and Alm (2014); Chau and Leung,2009	Broad Q 4
Tax system difficulty	Schenk (2011)	Specific Q 1
Problematic aspects of tax compliance	Yong (2011); Ingraham et al. (2005); Carnes and Cuccia (1996) modified	Specific Q 2
Tax planning	Russo (2010); Shailer (1993); Yong (2011)	Specific Q 3
Tax compliance knowledge	Kamleitner et al. (2012) modified	Specific Q 4
Tax risk and its management	Neto (2017); PwC (2004)	Specific Q 5
Cultural norms and tax compliance	Bourdieu (1986); Yong (2011)	Specific Q 6
Economic conditions and compliance	Bourdieu (1986); Bourdieu et al. (Becker (1968)	Specific Q 7
Social status and tax compliance	Bourdieu (1986); Grasmick and Scott (1982)	Specific Q 8
Class positions and tax compliance	Bourdieu (1999); Bourdieu (1984)	Specific Q 9
Tax adviser-Taxpayer relationship	Sakurai and Braithwaite (2003); Bourdieu (1990)	Specific Q 10
Satisfaction with tax advice	Pabon and Klima (2017) modified	Specific Q 7
Conflicts in tax advice	Bourdieu et al. (1994)	Specific Q 12
Relationship Dynamics	Bourdieu (1990); Bourdieu et al. (1994)	Specific Q 13
Perceptions about taxpayer service	Rothengatter (2005); Tsai and Yang (2015) modified	Specific Q 14
Questions to tax advisers		
Professional experience	Inland Revenue, New Zealand (2014); Carney (2007); Thatcher and Halvorsrud, 2016)	Broad Q 1
Professional knowledge and skills	Bourdieu (1998); (Ebrahim,2003)	Broad Q 2
Professional authority	Bradley (2004); Allen (1991) modified	Broad Q 3
Tax compliance attitude	Christian and Alm (2014); Chau and Leung,2009	Specific Q 1

Perceptions about Tax complexity	Schenk, 2011; Carnes and Cuccia (1996)	Specific Q 2
Levels of tax knowledge	Kamleitner et al. (2012)	Specific Q 5
Cooperation	Togler (2007); Kirchler (2007)	Specific Q 6
Tax risk and its management	Neto (2017); PwC (2004)	Specific Q 7
Cultural norms and tax compliance	Bourdieu (1986); Yong (2011)	Specific Q 8
Economic conditions and compliance	Bourdieu (1986); Bourdieu et al. (Becker (1968)	Specific Q 9
Social status and tax compliance	Bourdieu (1986); Grasmick and Scott (1982) modified	Specific Q 10
Class positions and tax compliance	Bourdieu (1999); Bourdieu (1984)	Specific Q 11
Mutual respect and trust	Fantasia (2010); Grenfell (2008); Sayer (2010)	Specific Q 12
Pressure and conflict	Bourdieu et al. (1994); Fogatry and Jones (2014); Beckert (2010)	Specific Q 13
Nature of professional relationship	Sakurai and Braithwaite (2003); Bourdieu (1990) modified	Specific Q 14

Note: Some questions, for example, broad question 1 and 2 to taxpayers, and specific questions 3 and 4 to tax professionals were asked for clarifications and in-depth exploration of a topic.

A5: Survey Questionnaire

[1] What is the name of your organization/company?

Please write your answer here:

[2] Is this business owned by you and/or your family members?

Please choose **only one** of the following:

Yes No

[3] How many employees are there in your business?

Please choose **only one** of the following:

10-20 20-30 30-40 40-50

[4] What is the total capital of your business (in British Pounds)?

Please choose **only one** of the following:

- below 100,000
 100,000-200,000
 200,000-300,000

- 300,000- 400,000
- 400,000- 500,000
- above 500,000 but \leq 1,000,000

[5] To which business sector do you belong?

- Catering
- Groceries
- Transport
- Other

[6] What is the organizational form of your business

Please choose **only one** of the following:

- Company
- Partnership
- Sole proprietorship
- Cooperative
- Other

[7] Do you have a tax adviser to help with your income tax activities?

Please choose **only one** of the following:

- Hired tax adviser
- In-house tax adviser
- Both

[8] Who do you consult when you have an income-tax-related problem?

Please choose **only one** of the following:

- Friends
- Accountants
- Community leaders
- Government offices
- Family members
- Others [please specify]

[9] Do you hold any of the following positions to serve your community?

Please choose **only one** of the following:

- Member or participant of a cultural organization

- Member or participant of a social organization
- Member or participant of a political organization

[10] Do you have a friend or relative who is socially important?

Please choose **only one** of the following:

- Yes
- No

[11] What academic qualification do you hold?

Please choose **only one** of the following:

- UK school certificate
- UK undergraduate
- UK master's
- Bangladeshi school certificate
- Bangladeshi undergraduate
- Bangladeshi master's
- Other [please specify]

[12] Which of the following types of music do you like to listen to most?

Please choose **only one** of the following:

- Bangladeshi music
- Hindi music
- English music
- Other [please specify]

[13] Do you attend the cultural events (exhibitions, fairs, Diwali, etc.) of other ethnic communities?

Please choose **only one** of the following:

- Yes
- No

[14] What is the ownership status of the house you live in?

Please choose **only one** of the following:

- Owned by you or your family
- Rented
- Other [please specify]

[15] Which of these places or events do you like to visit most?

Please choose **only one** of the following:

- Museum

- Art Gallery
- Concert
- Cinema
- Community festivals/fairs
- None

[16] Does your business have any brand or logo which is widely known in your business community?

Please choose **only one** of the following:

- Yes
- No

[17] Do you feel that the income tax laws related to your business are ambiguous?

Please choose only one of the following:

- Yes
- No

[18] How do you feel when you pay income tax?

Please choose **only one** of the following:

- Very good
- Good
- Uncertain
- Not good
- Not very good

[19] In your opinion, how complicated is the UK tax system?

Please choose **only one** of the following:

- Very complicated
- Complicated
- Uncertain
- Not complicated
- Not complicated at all

[20] How difficult is it for you to deal with the tax system of the UK?

Please choose **only one** of the following:

- Very difficult
- Difficult
- Uncertain

- Not difficult
- Not difficult at all

[21] Which aspect of UK income tax law causes most problems for your business?

Please choose **only one** of the following:

- Determination of taxable income
- Calculation of tax
- Book-keeping and accounting
- Frequent changes in tax law
- Tax filing procedure
- Other [please specify]

[22] For which of the following reasons do you go to a tax adviser?

Please choose **only one** of the following:

- The tax return is confusing
- Busy with the business
- You don't understand tax law
- Tax language is not easy
- Tax inspectors/tax officials are not helpful
- Other [please specify]

[23] How concerned are you about your income tax filing?

Please choose **only one** of the following:

- Very concerned
- Concerned
- Uncertain
- Not concerned
- Not concerned at all

[24] How important do you think it is to pay income tax?

Please choose **only one** of the following:

- Very important
- Important
- Uncertain
- Not important

Not important at all

[25] Do you have a documented plan to manage tax risks of your business?

Please choose **only one** of the following:

Yes No

[26] How often does your tax adviser update you about risks in tax activities?

Please choose **only one** of the following:

- Very often
- Often
- Uncertain
- Not often
- Not very often

[27] Have you ever been agitated with your tax adviser for any of his tax decisions?

Please choose **only one** of the following:

Yes No

[28] How easily can you consult with your tax adviser to discuss a tax issue?

Please choose **only one** of the following:

- Very easily
- Easily
- Uncertain
- Not easily
- Not very easily

[29] Do you feel pressurised by your tax adviser to undertake risky tax activities?

Please choose the appropriate response for each item

Yes Uncertain No

[30] How trustworthy is your tax adviser regarding your income tax management (filing, tax payment etc.)?

Please choose **only one** of the following:

- Very trustworthy
- Trustworthy

- Uncertain
- Not trustworthy
- Not trustworthy at all

[31] To what extent do you agree that you seek tax advice due to uncertainty about income tax regulations?

Please choose **only one** of the following:

- Highly agree
- Somewhat agree
- Uncertain
- Disagree
- Fully disagree

[32] How often do you feel impressed at the level of professional knowledge your tax adviser has?

Please choose **only one** of the following:

- Almost always
- Sometimes
- Once in a while
- Rarely
- Never

[33] Do you think that it is important for a tax adviser to have a professional tax license?

Please choose the appropriate response for each item

- Yes No

[34] How satisfied are you with your tax adviser?

Please choose **only one** of the following:

- Highly satisfied
- Satisfied
- Uncertain
- Not satisfied
- Not satisfied at all

[35] Do you think that your tax adviser has sufficient knowledge of tax practice?

Please choose **only one** of the following:

Yes

No

[36] How seriously do you take the recommendations of your tax adviser?

Please choose **only one** of the following:

Very seriously

Seriously

Uncertain

Not seriously

Not seriously at all

[37] To what extent does your tax adviser have an influence on your tax decisions?

Please choose **only one** of the following:

Major influence

Some influence

Uncertain

Little influence

No influence

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