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The New Fiscal Sociology: A Study of Universal Self-Assessment Taxpayers in Bangladesh

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Abstract

Economists and sociologists recognize taxation as an important element of the life of individuals. As the tax system and policies of each country reflect the characteristics of the country's social, political, cultural and economic structure, tax systems differ according to the characteristics of the structure of the society. The study is aimed to investigate the ethical, moral, religious, gender, educational and cultural background considerations on individual voluntary tax compliance whose main income is from business, salaries and other sources. This is a cross-sectional quantitative study. The survey was conducted on 385 respondents' individual taxpayers within the capital city of Dhaka in 2020. Necessary statistical tests including multiple regression analysis were used in this study. Findings show that ethicality and educational background have a direct significant effect on the individual tax compliance among the taxpayers whose main income is from business, salaries and other sources. However, gender, religious, morality and cultural background do not have significant effect in this relationship. It is believed this study will significantly contribute to the body of knowledge in the areas of voluntary tax compliance.

Keywords: Taxation, Self-assessment, Compliance, Ethics, Moral, Religion, Education, Culture

1.0 Background

Taxation system is essential part of the government's revenue sources and expenditure. The system may vary across countries depending on the economic structure of the respective country which results in different share of total tax revenue collected and generated by different countries. Share of tax revenue in government's total revenue in Bangladesh is comparatively high. Tax revenue has been playing greater role in meeting national aspirations to be a developed country in near future. A well-structured tax system ensures national stability as the government does not need to overly rely on external funding to stay afloat. A government that collects tax implied that a nation's capacity for development and further economic growth, likewise, less tax collections may indicative that development and economic growth is stagnant and not competitive enough to meets its state affairs.

Bangladesh inherited its taxation system from its colonial past in the British and Pakistani regimes. The country has a long tradition of administering both direct and indirect taxes. In the category of direct taxes fall personal income tax, corporate tax, gift tax, land development tax, non-judicial stamp and immovable property tax. All three categories of indirect tax – Customs Duty, Excise Duty and Sales Tax (Due 1970) that date back to the time of the British colonial regime are also in practice in Bangladesh. Customs Duty is the oldest form of international trade tax. Excise Duty used to be widely imposed on domestically produced goods and on some services while Sales Tax used to be imposed at the importation stage. Except Land Development tax, non-judicial stamp tax, Registration and immovable property tax and Narcotics tax, all these taxes are administered and collected by the National Board of Revenue (NBR).

Bangladesh represents the most likely case to show how taxation and the good governance process interact with each other especially in developing countries (Ahmed 2019). In taxation, the economic goal of revenue has faced challenges of the socio-political goal of representation. Striking a balance between the maximization of revenue and the enabling process of such collection becomes more challenging for the developing countries such as Bangladesh which struggle hard both to mobilize their own tax revenue and to create an enabling environment of governance. The relationship between taxation and good governance has come to the fore with the emergence of what (Martin et al. 2009) term 'the new fiscal sociology' in the mid-twentieth century. The inherent conflict that taxation entails and the attendant relationship between taxation and governance become obvious as we look into the history of human civilization which shows that numerous conflicts have been centered on taxation. While the history of taxation generally reveals the predatory behavior of the rulers in extracting tax revenues mainly through coercion (Levi 1989), the other paradigm of motivating the citizens to pay taxes as civic obligation has also been present throughout history.

There are three key aspects of the interaction between taxation and social policy –taxation as a means of financing social policies, taxation as an instrument of social policy, and the indirect impact of tax regimes on social policy (Boden 2005). However, as the political scientist Guy Peters argued, the study of tax policy was largely abandoned to the economists until the 1980s. It has, however, drawn the attention of the political scientists since the late 1990s (Radaelli 2005). The tax literature stemming from the new perspective and also from the genre of new fiscal sociology has mainly remained focused on the theoretical aspect of the role of taxation in state-building. Empirical study of taxation from this perspective is quite sparse and it is even sparser in most developing countries. Making fiscal sociological research have been taking a more important role nowadays because fiscal sociological researches that started with Ibni Khaldun in the 14th century are still ongoing and its importance has been understood by researchers. That's why, the number of new approaches and studies is increasing day by day.

1.1 Problem Statement

There is linkage between the existing tax system and the tax compliance phenomenon. There has always been a major issue for the tax administration for tax compliance, either in developing or developed countries. For decades, researchers and institutions have been working towards tax compliance. But the tax compliance issue still persists. Researchers have carried out numerous studies of the common factors which influences an individual tax compliance which are tax awareness, tax fairness, and perception of government. Studies on tax compliance behavior have been done in well developed countries and not in developing countries however the sociological factors that affect the income tax compliance in this country are still lacking. Fiscal sociology, in essence, captures the way in which individuals and society perceive taxes imposed by the state, correlating with behavioral finances. It embodies individual-state relationships, starting from the way the state sets its goals, from its correct or sincere attitude towards individuals, from the way individuals perceive taxes, including from the tax illusion or the ability of individuals to agree to pay the established fees or the desire of the individual to circumvent the tax legislation. The behavior of taxpayers depends on the type of interaction between them and the authorities, which leads to perceiving the fiscal system as a fair one or to engaging in building the tax system, which implies an active citizenship attitude (Casal et al 2016). The taxpayer becomes more committed and more in agreement with a tax or other if he knows exactly what is being done with the income he has paid to the tax administration, that is, if he is involved in the decision-making process and especially if these funds are taken over to finance health or education. Fiscal sociology offers great opportunities for researchers who can help to reduce the adverse effects of governmental activity in support of the well-being and wealth of nations (Backhaus & Brady 2017). Fiscal sociology remains an open field to be

further explored in order to understand how taxes are levied and paid Hence this study significantly contributes in enlightening the taxpayers, tax agents or the government on the factors that influence tax compliance activity.

1.2 Objective

The study is aimed to investigate the ethical, moral, religious, gender, educational and cultural background considerations on individual voluntary tax compliance whose main income is from doing business, salaries and other sources.

2.0 Literature Review

The study of society's behavior in the context of the impacts of historical events and social development (Giddens 2011), sociology examines the unfolding and effects of social events not only with the social and cultural elements involved, but with fiscal elements and repercussions, as well. Fiscal sociology investigates the effects and outcomes that make up the field of study of fiscal policies are to be considered in the wider context of politics, culture, religion and society (Backhaus 2004). This integrative and unifying feature of financial sociology welcomes to many disciplines such as economic sociology, state sociology, anthropology, political science, financial law and public law, as well as the need to address different dimensions such as social geography, local economy and regional development (Brun 2013). It can also be described, as the theoretical, sociological study of tax policy formation in a very broadly way (Mumford 2019). Fiscal sociology mainly focuses on political, economic, cultural, institutional, and historical influences on taxation and public expenditures (Campbell 1993). Fiscal sociology should above all be concerned with the articulation between state and society with the combination of history and three (institutional, symptomatic, and causal) rather large tasks are involved (Padgett, 1981).

2.1 Individual Voluntary Tax Compliance

The individual tax compliance study has been conducted by numerous researchers. Angus et al. (2016), stated that tax compliance is a process of fulfilling taxpayer's civil obligation for tax payment or tax returns. Voluntary tax compliance is the willingness of the tax payer on his own complies with tax authority's directives and regulations (Isa 2014). Based on the equity fairness and gender differences, voluntary tax compliance is influenced by the individual's perception of government accountability factors that influence tax compliance. It has found that the elderly age people prefer to be more non-complying if there is no equity or fairness among the people (Isa 2014). In addition, Jayawardane & Low (2016) found that most taxpayers view that the inland revenue authority of Sri Lanka were unfair in the dealing with tax matters among the individual taxpayers and have significantly affect the compliance decision among them. Moreover, Awang & Amran (2014) showed that the

ethical consideration on tax compliance by the taxpayers in general that tax avoidance and tax evasion are unethical and not complying in the obligations to pay taxes are absolutely affects the trust of stakeholders. Therefore, the compliance of tax duties is useful to be studied through the social aspects such as ethical, moral, religious and cultural background of the individual taxpayers especially those engaged in the business undertaking.

2.2 Gender

In Britain, for instance, income taxation was instituted in 1799, with all income attributed to the husband, reflecting the laws of the time whereby all of the wife's property became the husband's at marriage (McCaffery2008). The entire history of the household tax policy explored in explicitly as of 'men' and 'women', 'wives' and 'husbands', and the English system had clear effects throughout the British Empire, such as in Canada (Kesselman 2007), New Zealand (Jones 2005), Australia (Cass & Brennan 2003), and Malaysia and Singapore (Teck 2004). The EC analysis takes working women as a social fact, and hence concludes that a bias against two-earner families will lead to non-marriage; the United States in its policy, in contrast, has never so acknowledged the fact of working wives, and is clearly ambivalent about it. In any event, the United Kingdom, France, and the Netherlands, among others, reformed their tax systems after the EC Memorandum to mitigate the effects. (Stotsky 1997). As of 1991, the Netherlands was the only state to allow unmarried couples living together to obtain the same benefits as heterosexual married ones. (Pechman & Englehardt 1991).

Currently, some forms of gender budgeting are in practice in over 60 countries (UN Women2011). The initiative of gender budgeting was taken by the Government of Bangladesh in fiscal year 2005-06 with a broader perspective of achieving gender equity in every sphere of the society. The concept of gender budgeting is not to create a separate budget for women or girls or increase allocations on programs related to them, rather it is initiated to ensure gender equity, empowerment of women and address persistent inequalities between women and men or girls and boys (Saleh & Sultana 2014). According to the Ministry of Finance (MoF), there are at least five reasons behind taking the initiative of gender budget in Bangladesh and these are: acknowledge the economic significance of the reproductive (household) sector and the need for public investment in these activities; acknowledge the fact that the roles, responsibilities, and capabilities of men and women are different must not be stereotyped with a preconceived perception and these roles and responsibilities must not be hold rigidly; recognize that seemingly gender-neutral allocation of budgetary resources can have a different impact on men and women; examine the welfare outcomes of the budget on men and women and boys and girls; and create an enabling condition for women to participate in the economic growth process (Finance Division 2011).

2.3 Educational background

Generally, education is the instrument used for the advancement of human beings in their cognitive, affective, psychomotor and psycho productive domains which is achieved through the learning and teaching process. Nevertheless, education has been found to have a different relationship with tax compliance. Despite having positive associations, negative correlations were also stated between education and the level of tax compliance that can be credited to utilizing opportunities for tax avoidance & evasion with increasing fiscal knowledge (Helhel & Ahmed 2014). There is an existing opinion that empirical results are unclear regarding the relationship between educational level and tax compliance. Those with higher education tend to have a better knowledge of the complexity of tax laws and the embedded technical terms and abstractions. Consequently, people that are more educated understand the law and filing rules. While, the less educated people with little understanding are likely to encounter an error, mistakes when filing their taxes (Hofmann et al 2017). Also, Higher education is related to access to information that provides insight into tax avoidance schemes. Therefore, higher education may be related to lower evasion but higher avoidance tendencies. Corroborating the above assertion, Eva, Martin, Christine and Erich (2017), in their empirical study, conclude that people with higher education relates to low tax evasion, but higher tendencies of tax avoidance. Technically, prior finding by Kirchler (2007) is in tandem with Eva et al. (2017). Kirchler finding reveals that high tax complexity, thus, limits the understanding of one's tax duties and high insecurity, fuel compliance. This suggests that those with low education in understanding tax complexity tend to comply more with tax policies.

2.4 Religious

Religion is one of the most important social factors in every believer's life (Aliman et al., 2018; Palil et al. 2013). Islamic work practices that religion should be upheld in fulfilling duty to the Allah (SW) and money earned should be spent in way it should benefit oneself and the community (Sezgin et al. 2011). As Benk et al. (2016) categorizes the believer's relationship with religion into two aspects, association with religion and pledge towards the associated religion and the religion affecting the intention to do good and bad is not clearly justified in prior studies (Worthington et al. 2003). researched on the pledge, which is the commitment towards religion that were held into intrapersonal and interpersonal commitment towards religion, it should create religious values which are rather positive not negative to assist the taxpayers voluntarily pay taxes according to tax regulations and laws (Mohdali & Pope 2014). They concluded that religiosity significantly decides the taxpayers' behaviors to comply in paying taxes. According to Kamaluddin & Madi (2005), taxpayers who do not associated with any religion is most likely to commit tax wrongdoings. Finally, the religiosity aspect of taxpayers does play vital role in tax

compliance and looking at Bangladesh holding various religious taxpayers, religion can be seen as important social aspect in examining the tax compliance.

2.5 Ethicality

Ethics of taxpayers include that the taxpayer will comply with tax obligation provided the taxpayer believes that compliance is the rightful decision to make (Alm & Torgler 2011). If government that are in charge is corrupt and the tax system is not favorable towards its people, then being unethical can be expected (McGee & Preobragenskaya (2007). Therefore, tax system and government should be fair for people. According to Wenzel (2005), tax payments are considered costs to the taxpayers that they must avoid or reduce provided that chances for being detected by tax authorities and related penalties are strict to deter the taxpayers for doing so. As ethical considerations are not easily justifiable from one individual taxpayer to the other individual taxpayer, it is still subjective and remains property of the individual taxpayer in determining the compliance with the tax obligations. Thus, this ethical aspect is worth to be studied on the compliance of tax obligations among the individual taxpayers whose main income is from doing business, salaries and other sources.

2.6 Morality

High tax morale among taxpayers are beneficial to society and government, as not only the revenue collections improve but society gets better through various development plans (Kirchgassner 2010). However, the author found that fairness, religion and trust in the tax system are very important even than tax burden to boost the tax morale. Luttmer & Singhal (2014) indicated about improving tax morale mean improving tax compliance with tax laws and portrays good social norms in compliance. Bosco & Mittone (1997) mentioned 'Kantian morality approach' which is depends on a level of judiciousness where when tax system is fair for all and false declaration on taxes will create psychological costs such as anxiety, guilt and reduction in self-image. It was mentioned that taxpayers feel these costs when what they doing are unfair to the fair tax system. In addition, the 'altruistic' approach is more concerned towards the general society's welfare than personal welfare. Using this approach concludes that not complying to pay taxes individually will definitely affect the funds needed for the society's welfare at large (Laffont 1975; Sudgen 1984). Moreover, many studied on penalties, knowledge, economic factors and tax non-compliance, mainly tax evasion (Sheikh 2004; Yusof et al. 2014; Sapiei & Kasipillai 2013; Palil 2010) but there are still lack of research in the aspect of morality which is worth to be studied here.

2.7 Cultural background

The review of literature on both good governance and taxation unequivocally indicates the inevitable and symbiotic relationship between the two. Empirical studies

have found that corruption levels are also influenced by cultural and social factors like religious tradition, clientelism, human capital and ethnic fragmentation (Khan 2005; La Porta et al. 1999; Mauro 1995; Svensson 2005; Theobald 1999; Treisman 2000). For instance, Countries with higher proportions of Protestants are likely to be less corrupt compared with countries marked by hierarchical religions such as Catholicism and Islam (Treisman 2000; La Porta et al. 1996). Patronage politics and clientism also have a strong influence on corruption levels (Khan 2005; Theobald 1999). In one case, leaders in cold war era Greece with patronage networks won elections, used power to expand their clientele and created a political monopoly (Legg 1969; Mauro 1995; La Porta et al. 1999) found that ethnic fragmentation related to the quality of government and institutions. A quantitative comparison of the 50 states of the USA showed that corruption has a strong correlation with urbanization and education (Huberts, 2014). Education not only creates economic opportunities, but it also helps citizens with the knowledge needed to challenge government abuses (Svensson 2005).

Literature on tax policy and administration with reference to good governance in its modern parlance, however, seems to be scarce worldwide, not only in Bangladesh. Governance issues, once left to the civil society, are being voiced by the general mass. In the context of growing concern for good governance, people also give vent to their concern over harassment by tax authorities, and the uncertainty and complexity of taxing procedures. So, with reference to studies of a tax system as a tool for good governance, or, conversely, of good governance as contributing to the creation of an effective and efficient taxation regime in a developing country like Bangladesh, the gap is obvious. This study has attempted to fill this gap of knowledge.

3.0 Theoretical Linkage

Tax is one of the most important social and economic issues and has kept both experts and the general public preoccupied throughout the evolution of human civilization. While the idea of tax may differ according to the context and the space and time, the generally acceptable definition of tax is that it is a compulsory contribution by the people to government imposed in order to raise revenue (Thuronyi 2005). The conceptual framework of this paper draws on a rich seam of political science research (Levi 1989; Brautigam 2008; Moore 2008; Martin et al. 2009) that focuses on the place of taxation in the shaping of state-society relations as opposed to the tax specialists' concern with taxation in terms of operational, economic values of simplicity, efficiency and equity (Moore 2002). At the core of this conceptual framework lies what Moore (2002) calls the fiscal sociology paradigm' which he defines as the proposition that the sources from which public authorities obtain their revenues, and the ways in which they organize themselves to relate to revenue providers, exercise a major influence over politics and governance.

3.1 Modernization theory

Sociological issues have been concerned economists from ancient times (Martin et al. 2009). For instance, Adam Smith was concerned about fiscal analysis from comparative and historical perspectives, with interest in both the economic and social consequences of taxation. Later, Wagner (1883), created what would become the Wagner law, linking the level of economic development of a country to the level of the public sector. States are developing modern tax systems, a common set of tax instruments that are effective and fair because economic development inevitably leads to the imposition of new forms of taxation, meaning that fiscal conditions are always a consequence of economic relations. In addition, the development of democratic states constitutes to the diversification of the forms of taking parts of the income or wealth of individuals and firms in order to sustain the growing financing needs of government administrations. The huge gap in the theory of modernization is the impossibility of explaining the differences in tax systems applicable to different modern societies.

3.2 Elite theory

The second school of traditional fiscal sociology focuses on the non-contractual basis of tax contracts. One of the most important writings from this perspective is Theory of Fiscal Illusions written in the 1890s by the Italian economist Puviani (1903). In addition, Buchanan (1949) was influenced in his writings by Italian theorists, further developing the theory of public choice, questioning on the goodwill and effectiveness of state planning. Proponents of elite theory described a fundamental conflict of interest between rulers and subjects. Rulers sought to maximize their revenues. Subjects sought to keep resources for themselves. Why then would rational taxpayers' consent to their own exploitation? (Martin et al. 2009). For this question, Puviani (1903) provided an answer in his theories on fiscal illusion. Representatives of the elite theory have also researched the role of formal political institutions, concluding that at some point, the government can be captured by interest groups and manipulated, so governments can use the tax system to redistribute resources for the benefit of that minority.

2.3 Military theory

This side of fiscal sociology follows Schumpeter (1976) inclination to the cultural and social outcomes of taxation, that is, the way in which ongoing tax negotiations affect the way people live and the level of civilization and culture of society (Martin et al. 2009). This is due to the idea that a state is strong and will be victorious in struggles if it is able to attract resources (usually fiscal) to allow it to support wars, otherwise it will lose the battles. Thus, a direct relationship has been established between the fiscal system and the military development of a state, which implies also a bureaucratization of the society. However, the theory has some limitations, especially regarding the transition from warfare state to the welfare state.

3.4 New Fiscal Sociology

New Fiscal Sociology focuses on informal social institutions such as public trust, family institution, religion, work and leisure starting from the idea that for most tax and social phenomena the explanations must be historical. The new fiscal sociology makes a new theory on taxation as a social contract that multiplies the structural power of a society, arguing that economic development does not necessarily lead to a particular form of taxation, but rather, the institutional context, and political conflicts lead to tax diversification in the modern world so that taxpayers' consent is correctly explained not by coercion or illusion but as a collective task by which they give up to a part of their income to finance collective goods that will lead to the increased productive capacities of society (Martin et al. 2009).

Finally, fiscal sociology implies the study of taxation from three perspectives: the state perspective of fiscal, the development of the taxpayer's consent and the implications of taxation (Martin et al. 2009). The sociology of taxation has its origins in the ideas of the Austrian school, on the one hand, and those of the Italian school, on the other (Leroy 2009). Since the 1990s, fiscal sociology has redefined, by integrating aspects of economic globalization. It is certain that the subject is a multidisciplinary one, dealing with the fiscal phenomenon in a social and general policy, debating the legitimacy of the state with regard to citizens and integrating elements of social justice, which lead to debates on several types of sociology. Thus, fiscal sociology is a political sociology by involving state, power and public action; fiscal sociology is a legal sociology when studying the relationship between tax law and society.

4.0 Research Ethics

The study asked for full consent from participants where we explained the motivation of study to the participated assesses. They had the freedom to leave the study at any time or may remain silent to specific questions if they were not comfortable. User data was anonymized. All our collected data are securely stored in a locked drive, and only researchers have access to it.

5.0 Research Methodology

This study is a cross sectional design with quantitative approach. The respondents are the individual tax payers who are residing in the area of Dhaka City. This study focused in Dhaka City due to the city being a good economic development area. The sample for this study consists of individual taxpayers within the city of Dhaka, Bangladesh. However, central government, based in Dhaka city, plays the key role in decision making and policy formulation processes. Most government organizations are located in Dhaka. In addition, the actual revenue collection target for the financial year 2017-2018 was set at BDT 87,190 crore and BDT 62,340.42 crore was collected, of which 44.51%

was in fifteen zones of Dhaka and it has reached a total of 73.22% when the large taxpayers and the central survey zone were combined (NBR 2018). Moreover, Dhaka is the center of business and professional activities in Bangladesh.

The sample is selected by following the method of proportional allocation under which the sizes of the samples from the different strata are kept proportional to the sizes of the strata. For the purpose of the study sample size is determined by using formula (Krejcie & Morgan 1970):

$$s = X^2 NP(1-P) / d^2 (N-1) + X^2 P(1-P)$$

Where

s = required sample size

X² = the table value of chi-square for 1 degree of freedom at the desired confidence level (3.841)

N = the population size

P = the population proportion (assumed to be 0.50 since this would provide the maximum sample size)

d = the degree of accuracy expressed as a proportion (0.50)

Therefore, sample size is determined to 385 taxpayers to which the questionnaire was distributed. This study has followed a convenience sampling method. This sampling method has also been conducted in the context of Malaysia (Ser 2013), the USA and Hong Kong (Chan et al 2000). Convenience sampling method has the advantage over reliability, time and budget constraint. The sample is allocated to each zone according to the population weight. The study has used primary data collected by using structured questionnaires. The survey was conducted during the period of 1st January 2020 to 31st March, 2020. The questionnaire is composed of closed ended questions designed on mostly a Likert scale. Questionnaires were delivered to people of various income levels. Questions were pre-coded during the survey questionnaire, data processing and analysis. Based on data collected for the questionnaires, the data has been conducted accordingly and analysed by engaging Statistical Package for the Social Science (SPSS) Version 22 package. A pilot study of the questionnaire is undertaken with 25 respondents who include academicians; postgraduate students; and employees of public and private sectors. The pilot study is performed to ensure the clarity of questions; and the reliability and internal validity of the items in the questionnaire.

As the index variable was developed, consistency within all the items in the question matrix has to be ascertained by a reliability check using Cronbach's Alpha. As long as the value of Cronbach's Alpha is between 0.7 and 1.0, all of the statements in the question matrix can be used to create the index variable, while statements with a value below 0.7 are discarded. Once the exercise is satisfactorily completed, the maximum and minimum outputs are ascertained by sub-menu descriptive statistics together with their respective frequencies. The minimum scores are deducted from the maximum scores, and the residuals are divided by the number of categories in the index variable.

In this study, the cross-sectional data used for that purpose were analyzed using three main tests, the data normality test, multicollinearity and autocorrelation. This is because Gujarati (2003) suggests that it is not necessary to test all assumptions, while it should be applicable depending on the types of data. The complete model is following prior studies on tax issues (Schaupp & Carter 2009; Azmi & Bee 2010) and based upon the following model:

$$T_xC_p = \alpha_0 + \alpha_1 G_{en} + \alpha_2 E_{bk} + \alpha_3 R_{eg} + \alpha_4 E_{ty} + \alpha_5 M_{ty} + \alpha_6 C_{alB}_{nd} + e$$

where;

T_xC_p = Tax Compliance,

G_{en} = Gender

E_{bk} = Educational background,

R_{eg} = Religious,

E_{ty} = Ethicality,

M_{ty} = Morality,

C_{alB}_{nd} = Cultural Background, and

e = error in this regression

6.0 Results and Discussions

The distribution of the 385 respondents in Table 1.1 shows that 78.70 percent of them are male and 21.30 percent are female. The age of the respondents is quite evenly spread between 31 years and 60 years, with those above 31 years comprising 89.33 percent of the respondents. The academic levels of the respondents are also quite high, with respondents having graduate level of education 48.57 percent of the sample. According to employment status (37.66%) respondents were engaged in business, followed by private service (34.02%), self-employee (25.45%) and public service (2.85%). Around one-third (29.09%) of the total respondents had yearly taxable income in between BDT 400,001 to BDT 5,00,000 followed by 27.01%, 22.85%, 15.06% and 5.97% of respondents whose income were in between respectively BDT 6,00,001 to 30,00,000, BDT 5,00,001 to 6,00,000, BDT 2,50,000 to 4,00,000 and BDT 30,00,000 and above.

Table 1.1: Respondents Profile (n=385)

Category	No. of respondents	Percentage (%)
Gender		
Male	303	78.70
Female	82	21.30
Age		
21-30	41	10.64
31-40	142	36.89
41-50	99	25.71
51-60	55	14.28
61-70	44	11.42
71 years and above	4	1.03
Marital Status		
Married	351	91.17
Single & Others	34	8.83
Level of education		
No any formal education	19	4.93
Secondary level	76	19.74
Higher secondary level	89	23.11
Graduation level	187	48.57
Post-graduation level	14	3.63
Employment status		
Public service	11	2.85
Private service	131	34.02
Self-employed	98	25.45
Business	145	37.66
Annual level of income		
2,50,000-4,00,000	58	15.06
4,00,001-5,00,000	112	29.09
5,00,001-6,00,000	88	22.85
6,00,001-30,00,000	104	27.01
30,00,000 and above	23	5.97

The internal consistency of constructs is tested using a factor analysis (Pallant 2007). Changes are made in regards to the educational background variable and involve two questions being dropped from further analysis because they create another sub component. Factor analysis concerning the gender variable results in six components. However, all questions under this variable are utilized because the findings do not change even when any of the questions are included or excluded. Moreover, questions asked under this variable are taken from reliable sources. Table 1.2 shows

that all variables have a Cronbach alpha of above 0.7, which is considered appropriate, except for variable general knowledge about income tax, which obtains a Cronbach alpha of 0.591 but is still acceptable for the present study (Sekaran 2003). The test for the normal distribution of data indicates that the data is normally distributed where mean and median of all variables are close to each other (Shannon & Davenport 2001). The skewness and kurtosis of variables also have values between +2 and -2, which also indicates normality of data (Garson 2010).

Table 1.2: Factor Analysis of Variables (n=385)

Variables	Cronbach Alpha
Gen	0.591
TxC _p	0.824
E _{bk}	0.726
R _{eg}	0.846
E _{ty}	0.991
M _{ty}	0.847
CalB _{nd}	0.823

Table 1.3 presents the descriptive statistics of the variables. The minimum value and maximum value of each variable is based upon the average Likert scale value assigned by respondents for all questions in each variable. As Such, the minimum and maximum values may not always be a pure Likert scale number. The mean score of variable tax compliance is 4.66 out of 5.00. The mean score of variable ethicalities is 3.12. However, the morality variable is 3.55,

which suggests respondents do not satisfy with tax compliance. The religious, cultural background and educational background variables, which obtain mean values of 3.63, 3.22 and 3.30, respectively, suggest respondents do not perceive that internal or external factors influence their actions or behaviors. Finally, Gender variable is 6.77 out of 13.00, which suggests the respondents do not influence with tax compliance.

Table 1.3: Descriptive Statistics of Variables (n=385)

Variables	Minimum	Maximum	Mean	Std.dev
Gen	0.00	13.00	6.77	2.96
TxC _p	1.40	5.00	4.66	0.88
E _{bk}	1.30	4.00	3.30	0.67
R _{eg}	1.20	4.00	3.63	0.87
E _{ty}	1.00	5.00	3.12	0.78
M _{ty}	1.70	4.00	3.55	0.75
CalB _{nd}	1.60	4.00	3.22	0.71

The potential existence of multicollinearity issues is tested based upon correlations between independent variables. Table 1.4 shows that the highest correlation (0.72) is

between morality and cultural background, which is lower than 0.8. Therefore, the results indicate that multicollinearity is not a problem (Cooper & Schindler 2003).

Table 1.4: Spearman Correlation among Variables (n=385)

Variables	(2)	(3)	(4)	(5)	(6)	(7)
TxC _p	0.724	0.653	0.321	0.504	0.112	0.110
E _{bk}		0.712	0.365	0.602	0.129	0.133
R _{eg}			0.424	0.675	0.216	0.215
CUse				0.421	0.071	0.082
E _{ty}					0.179	0.175
CalB _{nd}						0.010
Gen						

Based on Table 1.5, the multiple regression analysis shows that ethicality and educational background have direct significant effect on the individual tax compliance among the taxpayers whose main income from doing business, salaries and other sources. However, gender, religious,

morality and cultural background do not have significant effect in this relationship. It is believed this study will significantly contributes to the body of knowledge in the areas of voluntary tax compliance.

Table 1.5: Multiple Regression of Tax Compliance on Independent Variables (n=385)

Model	Beta	p-value
(Constant)	0.91	0.051
Gen	-0.056	0.382
E _{bk}	0.217	0.000
R _{eg}	-0.024	0.751
E _{ty}	0.811	0.001
M _{ty}	-0.034	0.621
CalB _{nd}	-0.021	0.771

Dependent variable: Tax compliance

The socio-economic background of taxpayers such as ethicality and educational qualification has significant influence on individual tax compliance. The results had similar conclusions to studies done by Oladipupo & Obazee (2016), which proposed that one of the measures to enhance

voluntary compliance is by assuring that taxpayers have certain level of qualifications, ability and confidence to fulfil their tax responsibility.

From the results, several points can be made regarding the impacts of gender, morality, religiosity and cultural

background considerations on individual voluntary tax compliance. This study found that not all of the proposed variables seem to influence individual taxpayers doing business regarding their individual tax compliance. Moral considerations could be an efficient way to improve tax compliance (Ho & Wong 2008). The inevitable morality problem for tax agents dealing with individual taxpayers are confidentiality (Marshall et al. 2010). Disclosing client's information surfaces a moral issue that leads to clients' trust. The results also contrast in Zandi et. al (2015) study, which determined that in religiosity have a significant effect on tax compliance. Achieving moral compliance appears to be too difficult in practice with (1) past political developments eroded the trust in addition (2) to changes in the government who yet regain the trust as well as those national debts and budget deficit. Therefore, institutional reform could be way forward (Xavier 2019). The government should sensitize the tax payers on the importance of paying tax. It is also recommended that the government ought to be transparent on how the revenues collected from taxation is being utilized so that the tax payers do not feel that their money is being misused.

Religion is seen as an important tool to develop the attitude, behavior and character of the people. As Bangladesh is the majority Islam practice, awareness can be raised by the respective leaders.

7.0 Conclusion

The most important priority of fiscal sociology is to search the interaction between social structure and fiscal policies. This is due to the fact that tax systems reflect the same characteristics, in other words, a taxation system using the same fundamentals as the society itself will be met with less resistance and thus will be more successful. Considering the fact that one of the variables showing the success level of the tax system is tax compliance, the relationship between the tax system and the components of the structure of the society is analyzed in this study in the context of the variable of tax compliance. In this study, it is aimed to measure the effects of socio-economic determinants which constitute the structure of the society on tax compliance by considering fiscal sociology.

A general review of the results of the analysis indicates that a group of variables that determine the structure of the society should bear more weight in policy making than other variables and this all depends on the structure of the society in the framework of fiscal sociology. The classification depending on the government supports the importance of making tax regulations by taking into consideration the structural elements. These results emphasize the view that the internal dynamics, social and economic order, and governance structure of a country must be given high priority and consideration in formulating tax policies and regulations in accordance with fiscal sociology.

Further research can be done on this study area by conducting a larger sample size to get a better and more accurate response from individual taxpayers. Larger sample size can lead to bigger responses in number. The ratio of the respondent across the various sectors in the sample could be studied to gauge the sectorial issues in relation to the tax compliance in this country. In addition, comparisons can be done between countries especially between emerging economic markets of these social factors. This study can assist countries to make use of the findings to improve tax compliance such as finding the best practices, formulating relevant policies and if needed, to educate the ruling government to be prudent in administering the spending to enhance trust among its people.

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The authors declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

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QUESTIONNAIRE

Surveyor ID: Participation number: Date:
Assessment type: General Self-assessment

SL	Description					
1.	Gender <table border="1" style="display: inline-table; margin-left: 20px;"><tr><td>Male</td><td>Female</td></tr></table>	Male	Female			
Male	Female					
2.	Age					
3.	Marital status <table border="1" style="display: inline-table; margin-left: 20px;"><tr><td>Single</td><td>Married</td><td>Divorced</td><td>Widowed</td></tr></table>	Single	Married	Divorced	Widowed	
Single	Married	Divorced	Widowed			
4.	What was the last grade of school you completed? <table border="1" style="display: inline-table; margin-left: 20px;"><tr><td>No any formal education</td><td>SSC</td><td>HSC</td><td>Graduation level</td><td>Post-graduation level</td></tr></table>	No any formal education	SSC	HSC	Graduation level	Post-graduation level
No any formal education	SSC	HSC	Graduation level	Post-graduation level		
5.	Could you please describe your present profession? <table border="1" style="display: inline-table; margin-left: 20px;"><tr><td>Professional</td><td>Business</td><td>Private service</td><td>Public service</td><td>Self-employed</td></tr></table>	Professional	Business	Private service	Public service	Self-employed
Professional	Business	Private service	Public service	Self-employed		
6.	Could you please describe your religion? <table border="1" style="display: inline-table; margin-left: 20px;"><tr><td>Islam</td><td>Hindu</td><td>Others</td></tr></table>	Islam	Hindu	Others		
Islam	Hindu	Others				
7.	Could you please tick mark on the following statement where you feel comfortable? Tenure of involvement with NBR: a. More than 10 years b. Less than 10 years but more than 5 years c. Less than 5 years but more than 2 years d. Less than 2 years					
8.	Frequency of contact with Tax office a. Once in a year b. Once in a month c. 2/3 times in month d. Other					
9.	Usual reasons of contact a. To submit Returns b. To know legal explanation of some matter c. For hearing d. For other reasons					
10.	How simply do the Income Tax Law and Rules specify what responsibilities you as a taxpayer will have to carry? a. Very simply b. Fairly simply c. Not simply at all d. Very difficult					
11.	How clearly do the Income Tax Law and Rules specify what responsibilities you as a taxpayer will have to carry? a. Very simply b. Fairly simply c. Not simply at all d. Very difficult					

12. Is filling a income tax return
- a. Fairly Easy
 - b. Not that easy
 - c. Complicated
 - d. Very complicated
13. In filing a return, you submit it –
- a. In person
 - b. Through representative
 - b. By e-filing
 - c. In tax exhibition
14. After filing a Return, you are supposed to get the assessment order back. Do you usually get it back?
- a. YES, always
 - b. Sometimes
 - c. Never
 - d. Through representative

15. Please tell me for the following statement whether you think it can always be justified, never be justified, or something in between:
Cheating on tax if you have the chance

	<i>Never</i>	<i>Sometimes</i>	<i>Always</i>	<i>Probably</i>		
16.	Trading or exchanging goods or services with a friend or neighbor and not reporting it on your tax form				YES	NO
17.	Reporting your main income fully, but not including some small outside income				YES	NO
18.	Being paid in cash for a job and then not reporting it on your tax form				YES	NO
19.	Not reporting some earnings from investments or interest that the government would not be able to find out about				YES	NO
20.	Do you feel it is wrong or not wrong if a taxpayer does not report all of his or her income in order to pay less income taxes?					

	<i>Not wrong</i>	<i>A bit wrong</i>	<i>Wrong</i>	<i>Seriously wrong</i>
21.	Within the past five years or so, do you think you might have left some reportable income off your federal tax return – even, just a minor amount?			
	<i>definitely have not</i>	<i>definitely have</i>	<i>May be</i>	<i>May be not</i>
22.	What was the highest tax rate level for the last financial year?			
	10%	15%	20%	25% 30%
23.	Could you tell me how much confidence you have in the legal system?			
	<i>a greatly</i>	<i>quite a lot of</i>	<i>not very much</i>	<i>none at all</i>
24.	Public officials can usually be trusted to do what's right?			
	<i>strongly agree</i>	<i>mildly agree</i>	<i>mildly disagree</i>	<i>strongly disagree</i>
25.	Could you tell me how much confidence you have in the government in your capital?			
	<i>a greatly</i>	<i>quite a lot of</i>	<i>not very much</i>	<i>none at all</i>
26.	How much confidence do you have in courts system?			
	<i>a greatly</i>	<i>quite a lot of</i>	<i>not very much</i>	<i>none at all</i>
27.	Could you tell me how much confidence you have in the legal system?			
	<i>a greatly</i>	<i>quite a lot of</i>	<i>not very much</i>	<i>none at all</i>
28.	Generally speaking, would you say that most people can be trusted or that you can't be too careful in dealing with people?			
	<i>Most people can be trusted</i>		<i>Can't be too careful</i>	
29.	Would you say that having a democratic political system is a very good?			
	<i>Fairly good</i>	<i>Fairly bad</i>	<i>Very bad</i>	<i>Way of governing</i>
30.	Democracy may have problems but it's better than any other form of government?			
	<i>Strongly agree</i>	<i>Mildly agree</i>	<i>Mildly disagree</i>	<i>Strongly disagree</i>
31.	How satisfied are you with the way the people now in national office are handling the country's affairs?			
	<i>Fully satisfied</i>	<i>Fairly satisfied</i>	<i>Fairly dissatisfied</i>	<i>Very dissatisfied</i>
32.	Would you please put mark the political system as it is today?			
	<i>Very good</i>	<i>Fairly good</i>	<i>Fairly bad</i>	<i>Very bad</i>
33.	How satisfied are you with the financial situation of your household?			
	<i>Fully satisfied</i>	<i>Fairly satisfied</i>	<i>Fairly dissatisfied</i>	<i>Very dissatisfied</i>
34.	Could you tell me if recently you have known someone or have heard someone you know comment about somebody who has: Managed to avoid paying all his tax			
			YES	NO

35.	Would you say that a person in our country who has committed an illegal act gets caught?			
	<i>is very possible</i>	<i>fairly possible</i>	<i>a little possible</i>	<i>not at all possible</i>
36.	Could you please rank the NBR in regards to the processing returns?			
	<i>Excellent</i>	<i>pretty good</i>	<i>only fair</i>	<i>poor</i>
37.	Could you please rank the NBR in regards to the issuing refunds?			
	<i>Excellent</i>	<i>pretty good</i>	<i>only fair</i>	<i>poor</i>
38.	Could you please rank the NBR in regards to the answering questions?			
	<i>Excellent</i>	<i>pretty good</i>	<i>only fair</i>	<i>poor</i>
39.	Could you please rank the NBR in regards to the auditing returns?			
	<i>Excellent</i>	<i>pretty good</i>	<i>only fair</i>	<i>poor</i>
40.	Could you please rank the NBR in regards to the collecting taxes due?			
	<i>Excellent</i>	<i>pretty good</i>	<i>only fair</i>	<i>poor</i>
41.	The NBR employees are honest – you could never bribe them.			
	<i>Strongly agree</i>	<i>Mildly agree</i>	<i>Mildly disagree</i>	<i>Strongly disagree</i>
42.	NBR employees are just as knowledgeable as any private tax expert.			
	<i>Strongly agree</i>	<i>Mildly agree</i>	<i>Mildly disagree</i>	<i>Strongly disagree</i>
43.	I am confident that the NBR would never try to take more money from me than they should.			
	<i>Strongly agree</i>	<i>Mildly agree</i>	<i>Mildly disagree</i>	<i>Strongly disagree</i>
44.	You can depend on the IRS to keep accurate tax records.			
	<i>Strongly agree</i>	<i>Mildly agree</i>	<i>Mildly disagree</i>	<i>Strongly disagree</i>
45.	NBR procedures and practices are fair and reasonable ones that respect the rights of taxpayers.			
	<i>Strongly agree</i>	<i>Mildly agree</i>	<i>Mildly disagree</i>	<i>Strongly disagree</i>
46.	How do you feel about the government income tax system as it applies to the tax return – do you feel it is?			
	<i>quite fair</i>	<i>reasonably fair</i>	<i>somewhat unfair</i>	<i>quite unfair</i>
47.	The present tax system benefits the rich and is unfair to the ordinary working man or woman.			
	<i>Strongly agree</i>	<i>Mildly agree</i>	<i>Mildly disagree</i>	<i>Strongly disagree</i>
48.	Do you ever talk about NBR and its activities with your family?			<i>YES</i> <i>NO</i>
49.	Do you ever talk about NBR and its activities with your friends and co-workers?			<i>YES</i> <i>NO</i>
50.	What is the minimum fine for tax evasion in your jurisdiction?			
51.	What is the maximum fine for tax evasion in your jurisdiction?			
52.	Do you apply the criminal code in the case of tax fraud?			<i>YES</i> <i>NO</i>
53.	Is there a monetary fine in the case of tax fraud?			<i>YES</i> <i>NO</i>
54.	Do you treat tax fraud in the same way as tax evasion?			<i>YES</i> <i>NO</i>
55.	How much attention did you pay to discussions on the media about NBR and its activities?			
	<i>A lot</i>	<i>Quite a bit</i>	<i>Some</i>	<i>Very little</i> <i>No attention</i>
56.	How proud are you to be a taxpayer?			
	<i>Not at all proud</i>	<i>Not very proud</i>	<i>Quite proud</i>	<i>Very proud</i>
57.	May I know your annual level of taxable income for the current financial year 2017-2018?			
	<i>BDT 2,50,000-4,00,000</i>			
	<i>BDT 4,00,001-5,00,000</i>			
	<i>BDT 5,00,001-6,00,000</i>			
	<i>BDT 6,00,001-30,00,000</i>			
	<i>BDT 30,00,000 and above</i>			