

# **COST OF TAX COMPLIANCE TO BUSINESSES IN PAKISTAN**



*By*

**Haseeb Hasan**

**PIDE2019FMPHILEAF08**

**Supervisor**

**Dr. Mahmood Khalid**

**MPhil Economics and Finance**

**PIDE School of Economics**

**Pakistan Institute of Development Economics**

**Islamabad, Pakistan**

**2022**

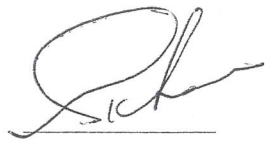


Pakistan Institute of **D**evelopment **E**conomics, Islamabad  
*PIDE School of Economics*

**CERTIFICATE**

This is to certify that this thesis entitled: “**Cost of Tax Compliance to Businesses in Pakistan**” submitted by **Mr. Haseeb Hasan** is accepted in its present form by the School of Economics, Pakistan Institute of Development Economics (PIDE), Islamabad as satisfying the requirements for partial fulfillment of the degree in Master of Philosophy in Economics and Finance.


Supervisor: Dr. Mahmood Khalid

Signature: 

External Examiner: Dr. Muhammad Jamil

Signature: 

Head,  
PIDE School of Economics: Dr. Shujaat Farooq

Signature: 

## **Author's Declaration**

I **Haseeb Hasan** here by state that my MPhil thesis titled “**Cost of Tax Compliance to Businesses in Pakistan**” is my own work and has not been submitted previously by me for taking any degree from Pakistan Institute of Development Economics, Islamabad or anywhere else in the country\world.

At any time if my statement is found to be incorrect even after my Graduation the university has the right to withdraw my MPhil degree.

Date: 21/01/2022

Student Signature:

Student Name: **Haseeb Hasan**

## **DEDICATION**

**I Dedicate This Thesis To My  
Parents and Siblings, Their Continued Support and Encouragement  
Towards My Studies.**

## ACKNOWLEDGEMENT

All praises to **Almighty ALLAH**, the omnipotent, the omniscient and the creator of the universe. Many thank to Him who bestowed us the perfect code of life through His beloved prophet, **Hazrat Muhammad (S.A.W)**.

My heart is full of thanks to the respondents of the businesses of Faisalabad, who participated in the primary data collection survey for their willingness, trust, and openness to share their information, without which this research endeavor would not have been possible.

I feel proud to work under the kind supervision and guidance of **Dr. Mahmood Khalid**, Senior Research Economist, PIDE, whose personal interest and dedication, thought, provoking guidance, valuable suggestions, and discussions enabled me to complete this tedious task on time. He really encouraged all my attempts in designing this research work and helped at each and every stage of the work. Without his support, this research work would not have been possible in such an efficient manner.

I would like to thank my dearest friends for their support, encouragement and care has always boosted my morale. Some of them worth mentioning are **Naila Yousaf** and **Abdul Khaliq** for their encouragement which led me to complete my research work.

I am grateful to my parents, and especially sister **Tayyaba Usman** for their unweaving love and confidence in me and their understanding, encouragement and support that needed the most to make my dreams come true.

**Haseeb Hasan**

## ABSTRACT

Measure for tax compliance fills in as lifeblood for the administration of any country. Tax avoidance in Pakistan is high, which has prompted weakened financial or economic circumstances and the absence of adequate public services delivery. However, tax compliance is not just the financial payments made by businesses in lieu of their tax liabilities. But it also involves the cost incurred in completing the documentation and other overheads besides taxes. These often create impediments in doing transactions in the formal economy. The Coase theorem of higher transaction cost deterring the trade itself seems to prevail in the case of Pakistan. This thesis uses the economics of tax compliance according to different point views. The purpose of this study is to give further understanding in tax compliance debate by assessing national and international literature along with providing an empirical basis for identifying the true tax compliance cost to businesses in Pakistan. For this study analyses the tax compliance costs of businesses in Faisalabad. The objectives of the study are to study the tax compliance behaviour of the businesses/firms in Faisalabad, to study the tax compliance costs by, types of businesses/firms and also identify the firm specific variables leading to: tax compliance deterrence. To achieve the objectives of this study questionnaire based primary data is collected from the business of Faisalabad. For collection of data purposive sampling technique was used based on the business sizes and types of their businesses. For the econometric analysis simple linear model was estimated by using STATA package. Ordinary Least Square (OLS) multiple regression analysis along with the descriptive statistics of the variables was conducted using of independent variables i.e. age of businesses, type of businesses, audit action and frequency of return on the dependent variable i.e. The findings show that that age of businesses, type of business, audit action and frequency of return positively affect cost of tax compliance. Moreover, various policy recommendations have been given at the end of the study as well.

**Keywords:** Tax Compliance cost, Tax Evasion, Taxation in Pakistan, Tax Complexity, Tax knowledge

# TABLE OF CONTENTS

<b>DEDICATION.....</b>	<b>iii</b>
<b>ACKNOWLEDGEMENT.....</b>	<b>iv</b>
<b>ABSTRACT.....</b>	<b>v</b>
<b>LIST OF TABLES .....</b>	<b>viii</b>
<b>CHAPTER 1.....</b>	<b>1</b>
<b>INTRODUCTION.....</b>	<b>1</b>
<b>1.1 Background of the Study .....</b>	<b>1</b>
<b>1.2 Research Objectives .....</b>	<b>4</b>
<b>1.3 Hypothesis of the Study .....</b>	<b>4</b>
<b>1.4 Significance of the Study.....</b>	<b>5</b>
<b>1.5 Organization of the Study .....</b>	<b>5</b>
<b>CHAPTER 2.....</b>	<b>6</b>
<b>LITERATURE REVIEW .....</b>	<b>6</b>
<b>2.1 Literature Reviews .....</b>	<b>6</b>
<b>2.2 Conclusion of Literature.....</b>	<b>28</b>
<b>2.3 Literature Gap.....</b>	<b>29</b>
<b>CHAPTER 3.....</b>	<b>30</b>
<b>DATA DESCRIPTION AND RESEARCH METHODOLOGY .....</b>	<b>30</b>
<b>3.1 Study Area .....</b>	<b>30</b>
<b>3.2 Data Collection and Sampling Technique.....</b>	<b>31</b>
<b>3.2.1 Data Collection .....</b>	<b>31</b>
<b>3.2.2 Sampling Technique .....</b>	<b>32</b>
<b>3.2.3 Discussion of Data .....</b>	<b>33</b>
<b>3.3 Description of Variables .....</b>	<b>34</b>

3.3.1	Dependent Variables.....	34
3.3.2	Independent Variables.....	34
3.4	Econometric Model .....	36
3.5	Principal Component Analysis.....	37
3.6	Standardization .....	38
3.7	Econometric Technique .....	39
<b>CHAPTER 4 .....</b>		<b>40</b>
<b>EMPIRICAL RESULTS AND DISCUSSION.....</b>		<b>40</b>
4.1	Descriptive Analysis .....	40
4.2	Cross Tabulation .....	48
4.3	Collinearity Test .....	55
4.4	Estimation Results and Discussion .....	55
4.5	Discussion.....	59
4.6	Robustness Analysis .....	60
<b>CHAPTER 5 .....</b>		<b>61</b>
<b>CONCLUSION AND POLICY RECOMMENDATION .....</b>		<b>61</b>
5.1	Conclusion.....	61
5.2	Policy Recommendations.....	64
5.3	Limitations .....	65
<b>REFERENCES.....</b>		<b>66</b>
<b>APPENDIX .....</b>		<b>71</b>



## LIST OF TABLES

<b>Table 3.1: Cronbach's Alpha Test.....</b>	<b>32</b>
<b>Table 3.3: Variables Construction.....</b>	<b>37</b>
<b>Table 4.1: Type of Tax.....</b>	<b>40</b>
<b>Table 4.2: Mode of Paying Taxes.....</b>	<b>40</b>
<b>Table 4.3: Understanding of Tax System.....</b>	<b>41</b>
<b>Table 4.4: Frequency of Tax payment .....</b>	<b>41</b>
<b>Table 4.5: Penalty for Not Compiling with Taxes.....</b>	<b>42</b>
<b>Table 4.6: Information about Registration Information.....</b>	<b>42</b>
<b>Table 4.7: Returns and Payments about Taxes.....</b>	<b>43</b>
<b>Table 4.8: Audit Action .....</b>	<b>43</b>
<b>Table 4.9: Appeals against Penalties .....</b>	<b>44</b>
<b>Table 4.10: Factors of Tax Avoidance.....</b>	<b>44</b>
<b>Table 4.11: Factors of Tax Avoidance.....</b>	<b>45</b>
<b>Table 4.12: Factors of Tax Avoidance.....</b>	<b>45</b>
<b>Table 4.13: Factors of Tax Avoidance.....</b>	<b>46</b>
<b>Table 4.14: Factors of Tax Avoidance.....</b>	<b>46</b>
<b>Table 4.15: Factors of Tax Avoidance.....</b>	<b>47</b>
<b>Table 4.2.1: Cross Tabulation of FED and Penalty .....</b>	<b>48</b>
<b>Table 4.2.2: Cross Tabulation of Illiteracy and Complicated Tax System.....</b>	<b>48</b>
<b>Table 4.2.3: Cross Tabulation of Type of Businesses and Corruption .....</b>	<b>49</b>
<b>Table 4.2.4: Cross Tabulation of Compliance Cost and Age of Business .....</b>	<b>50</b>
<b>Table 4.2.5: Cross Tabulation of Compliance Cost and Audit Action.....</b>	<b>50</b>
<b>Table 4.2.6: Cross Tabulation of Compliance Cost and Business Size .....</b>	<b>51</b>
<b>Table 4.2.7: Cross Tabulation of Compliance Cost and Tax Refund .....</b>	<b>52</b>
<b>Table 4.2.8: Cross Tabulation of Compliance Cost and Relief from FBR .....</b>	<b>52</b>
<b>Table 4.2.9: Cross Tabulation of Compliance Cost and Complicated Tax System ..</b>	<b>53</b>
<b>Table 4.2.10: Sample Descriptive .....</b>	<b>54</b>
<b>Table 4.3: Collinearity Statistics.....</b>	<b>55</b>
<b>Table 4.3.1: Results of Ordinary Least Square (OLS) Regression.....</b>	<b>56</b>

## **LIST OF ABBREVIATIONS**

<b>TC</b>	Tax Compliance
<b>TCC</b>	Total Tax Compliance
<b>VAT</b>	Value Added Tax
<b>GDP</b>	Gross Domestic Product
<b>SAS</b>	Self-Assessment System (SAS)
<b>PAYE</b>	Pay as you Earn (PAYE)
<b>W.H</b>	Whole Seller
<b>OECD</b>	Organization for Economic Co-operation and Development

# CHAPTER 1

## INTRODUCTION

### 1.1 Background of the Study

Taxes are significant for businesses as the government can reinstate this money to companies using credit and different forms of funding and public goods and services. When governments raise money through taxation, they inject it into business development. Resultantly, it stimulates economic activity across the country, ultimately leading to economic development and growth. The federal government collects 95 percent of the total taxes while the provincial government contribution is only five percent in the total tax collections. Pakistan has a tax to GDP (Gross Domestic Product) proportion of 11.4% which is among the lowest in rising economies. However, glaringly, due to lack of information people also endure high compliance costs in developing country like Pakistan.

Pakistan has been confronting the predicament of poor tax collection. The tax system of Pakistan is very complicated and FBR tax policies are not business friendly. Now when additional taxes are levied it is not just the expenses of transfers as taxes to the authorities, but the overall process compliance costs are also quite significant. “Compliance cost is defined as all those costs incurred by taxpayers or by third parties in complying with the requirements of the tax system, over and above the tax payments themselves”. Often these costs are so high that the businesses are forced to keep double accounts or simply avoid enrolling in the tax system at all.

Compliance cost is characterized as one of the expenses caused by citizens or firms in conforming to the prerequisites of the taxation framework, well beyond the assessment of tax installments themselves. Tax compliance of taxpayers is the consciousness of the taxpayer to accept the taxation and the compliance as standard practices and agrees with the laws and guidelines about the taxation and to incremental tax as a wellspring of state income.

Compliance costs are brought about by taxpayers and every one of the representatives/parties affiliated to provide help in exchange for exchequer from the private area to the public authority. These costs are a pure nuisance costs in case of withholding taxes, For instance, managers responsible for tax deductions at source have to bear with gathering taxes and provide documentation and return filling bring about compliance costs. Since the cost of compliance is one only of many costs imposed by a tax on society, it is necessary to perceive tax compliance

The compliance cost of taxation includes both monetary and nonmonetary costs. The financial/monetary costs, which might be assessed, comprise the money-related costs and time costs in managing the prerequisites of the tax specialists. For people, this incorporates the cost of time spent by a taxpayer on record-keeping and finishing the tax structure or in getting ready data for a tax specialist or bookkeeper; the charges paid to an expert counselor, like a tax specialist; and random costs, like postage/stamp price, calls, taxation guides, and progressively, computer software.

The costs for business taxation include the money-related costs spent on the expert charges of tax specialists, bookkeepers, legal advisors and some other counsels and the time costs of inward staff on keeping up with tax data consistently. Additionally finishing the tax returns themselves or in planning data for proficient consultants and dealing with the tax authorities are also included in the compliance costs for business taxation.

Moreover, for achieving the tax targets, tax compliance is a significant factor. The raise in tax income/revenue is caused by an increment in tax compliance. Tax compliance incorporates compliance records or record deals, compliance revealing business exercises as indicated by guidelines, just as adherence to all of the standards and rules of taxation. The idea of tax compliance is a circumstance where the taxpayer fulfills all taxation duties/liabilities. In this way, the taxpayer is withstanding taxpayers who comply and satisfy and execute tax commitments as per the arrangements of tax enactment.

Tax compliance laws are imperative to keep up with the framework that provides help and support to all and also to help projects and administrations that further develop the taxation system. An approach to urge compliance cost is to keep the principles as clear

and straightforward as could be expected. Excessively muddled tax systems are related to expand tax evasion.

In addition, the high costs of tax compliance are connected to more extensive informal sectors and debasement/corruption, and fewer speculations/investment. Conversely, countries with a simplified and well-structured tax system are able to boost businesses faster. In addition, a new study shows that an essential factor in business entry is how easy it is to pay taxes, regardless of the corporate tax rate (Bank 2007). Therefore, policymakers should make the tax system as easy and simple as possible.

In Pakistan it is generally stated that compliance for taxation is less for enterprises, or they are not paying tax as an ideal tax payer which authority would have expected. There are a number of explanations behind non-payment of taxes; however there is lesser focus on the total cost of tax payments including compliance costs in defining how it can be a major reason for tax shirking and avoidance in Pakistan besides the tax rates or the low penalty cost, etc.

From an effectiveness side, compliance costs can be viewed as an increment in the effective tax rates on people and organizations without expanding the income/returns of the public sector. Moreover, the financial weight of tax compliance diminishes by developing the size of the business and ascends vice versa. Consequently, compliance costs could twist financial dynamic of business assets. For instance, independently employed citizens and private companies may lessen the number of business start-ups to avoid this additional cost. In expansion, tax's multifaceted nature can bring about financially wrong choices, impacts hazardously to businesses, builds the interest for tax counsel and influences the eagerness of citizens to conform to burden rules by tax avoidance.

Thusly, market analysts regularly depend on evaluations of the finance charge to confirm that taxes are an intermediary or the taxes are of multifaceted nature. Elective intermediaries are tax vulnerability, the understandability of expense guidelines, just as the amount and the trouble of tax estimations. While these elective intermediaries have

been broadly applied in test research, they ought to be incredibly difficult to gauge in a genuine circumstance.

Contrasted with previous reviews this study will add value to the subject by investigating business centers in Faisalabad by assessing the tax compliance cost for organizations and firms.

This study will assess the compliance cost for organizations/firms located in Faisalabad. In addition, this study intended to analyze the tax hindrance measures, tax information towards tax consistent conduct of the organizations and to explore the association between compliance cost with firm-level determinants. By reason of instruments such as IT, streamlined cash basis accounting, or subcontracting of compliance efforts to tax advisors, private firms have a set-up of systems to improve their monetary weight of tax compliance, but in the case of Pakistan, there is a dearth of research on this topic.

## **1.2 Research Objectives**

In this thesis, the following objectives will be pursued:

- Study the tax compliance behaviour of the businesses/firms in Faisalabad.
- To study the tax compliance costs by, types of businesses/firms (Case study of Faisalabad City).
- Identify the firm specific variables leading to tax compliance deterrence.

## **1.3 Hypothesis of the Study**

- There exists a significant and multifaceted tax compliance costs for businesses in Faisalabad
- Businesses try to maximize profit by avoiding tax compliance.
- Firm specific and tax policy regime specific variables significantly affects the tax compliance behaviour for businesses in Faisalabad.

## **1.4 Significance of the Study**

Tax compliance cost is caused by taxpayers or by outsiders in consenting to the prerequisites of the tax framework beyond the tax installments themselves. Pakistan is poised with a low tax to GDP ratio. Based on this often it is claimed that businesses/firms are tax cheats. However, due to flaws in tax policy regimes, often the outcome is in the form of this low tax to GDP ratio. Poor tax outcome is one of the consequences of high compliance costs. This is in the form of documentation, employing resources for compliance, and others. FBR does not take into account the compliance cost of tax policies being formulated. Hence revenue pursuit results in high compliance costs, which in certain cases would be very high. In the present study, we will estimate the tax compliance cost for the firms and issues related to it from Faisalabad city. This study will establish the incidence of a higher cost of compliance along with other issues which the businesses have to bear.

## **1.5 Organization of the Study**

Chapter-1 covers the Introduction regarding the tax system and tax compliance costs of businesses, the research gap of the study objectives of the study, and significance of the study. Chapter-2 reviews the literature related to the study, and chapter-3 deals with the data description and research methodology, which include the study area, source of data collection, data discussion and sampling technique. Chapter-4 presents results and discussion of the study from the model of Ordinary Least Square (OLS) to calculate the compliance cost with determining variables such as, the age of businesses, type of businesses, audit action, and frequency of return. Chapter-5 deals with the conclusion and offers policy recommendations and limitations of the study.

## CHAPTER 2

### LITERATURE REVIEW

This chapter covers a literature review of the previous work done on the cost of tax compliance. Tax compliance cost by the taxpayers to the externals and other issues has been discussed in this chapter.

#### 2.1 Literature Reviews

(Tran-Nam, Evans et al. 2000) drove an assessment on cost consistent costs, research system, and exact proof in Australia. The study found the issue of compliance costs keeps on pulling in open consideration all through the Organization for Economic Co-operation and Development (OECD). By and large, overpay their cost liabilities during the year. Besides, at the citizen level, compliance costs are about 1.36 percent of GDP. What's more, they assessed business citizen compliance costs by business size. The discoveries show a reasonable reverse connection between business compliance cost and business size. The most striking component is that enormous business citizens appreciate negative TCC (Tax Compliance Cost). Interestingly, independent company citizens cause compliance costs in abundance. This opposite relationship can be much more unmistakably demonstrated when examinations are made of the normal measure of compliance costs conveyed by little, medium, and enormous business citizens. In the end, they reasoned that Australian Taxation (ATAX) speaks to a constitution of global interest in assessment compliance costs by governments.

(Eichfelder and Schorn 2012) investigated the connection between tax compliance costs and the business system. Besides, the study recommended that private organizations can enhance their tax compliance cost trouble by having a bunch of procedures and instruments like data innovation, streamlined money bookkeeping or re-appropriating compliance exercises to burden counselors. Moreover, the study recognized that there is no comparative cost lessening impact for capital-escalated compliance systems, an electronic information exchange with the tax and social protection specialists or a



rearranged money bookkeeping strategy for tax purposes. What's more, the irrelevance of e-documenting could be brought about by fire-up costs counterpoise likely cost decreases or by the absence of expected reliefs because of the decision of an electronic accommodation strategy. Towards the end, in the wake of talking about the procedures to improve compliance cost trouble, they recommend that advancing paid planning could be a proper system to reduce the burden of tax compliance of private companies. Likewise, government specialists and business associations could attempt to advice about the possible expense in efficiencies of tax compliance to improve the costs familiarity with private companies.

(Eichfelder and Hechtner 2018) have explored the effect of overview non-reaction and transient outlining impacts on compliance estimates since tax compliance costs are an impressive burden for private organizations. As compliance estimates got from business reviews may experience the ill effects of estimation blunder. Then again, a more limited cost estimates period may instigate estimation blunder in case experience of the new respondent isn't providing demonstration for entire reference time frame. Further, the study recommended that the phrasing of the overview poll may unequivocally influence quotes. Accordingly, study non-reaction doesn't belong to some serious issues of compliance cost estimation. This can be taken as inspiring information, as response speeds of business outlines are low in a huge load of cases and could thus start genuine tendency. Regardless the examination of cost assessment, they also performed tests on the impact of different e-government applications on compliance costs as an elective explanation to the strong decline in costs gauges.

(Khan and Ahmad 2014) led an examination on reasons for tax avoidance in Pakistan. According to the study tax avoidance is a significant issue in Pakistan because of which Pakistan stays under a great deal of pressure and results in less income. Additionally, they found that reformist tax assessment is an extraordinary issue of tax avoidance on the grounds that there is no appropriate idea of reformist tax assessment in Pakistan. Besides, there are likewise numerous reasons because of which tax avoidance is high in Pakistan, for example, tax rates are high, corporate tax is additionally high, the public authority doesn't give any profit to the citizen, degenerate government likewise

debilitate citizens to settle tax. It is acceptable and moral to dodge tax if the government is doing debasement. Likewise, in Pakistan, the tax-paying framework is extremely confounded and too hard to even think about after. Besides, individuals don't assume liability to settle tax, and there is obliviousness about expense-paying framework in Pakistan. The study presumes that there are numerous reasons because of which individuals try not to pay taxes in Pakistan. The findings from this study proposed that the public authority need to dispense with tax and to improve income by presenting reformist tax collection which lessens shameful of tax framework. The government ought to give a legitimate review framework that will assist with decreasing tax avoidance. Tax paying framework ought to be simple and reasonable for the citizens and tax rates ought to likewise be abject. There ought to be an exacting strategy against the tax dodgers. There ought to be financial fine and detainment.

(Mughal 2012) researched reasons for tax aversion and tax avoidance in Pakistan. The investigation shows the profoundly huge positive connection between the causes of tax shirking and evasion in Pakistan. The study discovered different reasons which cause tax avoidance in citizens, for example, no open data crusade, absence of satisfactory assessment motivations, the connection between citizens and authority is exceptionally poor, expansion of taxes, ignorance of duty count. Besides, high tax rates, destitution, nonappearance of assessment profound quality, absence of a satisfactory requirement for default have additionally discovered the reasons for tax avoidance in Pakistan. In the end, the study inferred that the given investigation centers on the investigation of significant reasons for assessment shirking and tax avoidance from singular citizens in Pakistan. Likewise they proposed that a tax evaluation ought to be led in the nation to think about the genuine number of citizens to decrease tax avoidance, a review unit ought to be set up by the public authority of Pakistan so that bad exercises of expense authorities could likewise be taken out, to eliminate the reasons of assessment shirking new strategies ought to be created, the government ought to advise to the citizens about the requirement for consistence and changes in tax enactment by utilizing various methods for exposure like walk-chalking, banners, pennants, TV, radio back rubs and so forth.

Disentanglement was one of the tax change head targets of the tax change development of the 1980's that finished in the Tax Reform Act of 1986 (TRA86). A paper by (Blumenthal and Slemrod 1992) indicated the compliance cost of the U.S. singular annual assessment framework: second take care of expense change. After the study, they found that low-to-center pay citizens have less than ideal compliance costs and major league salary citizens pay more for proficient help and have a lot higher than normal absolute tax. Besides, they found that independently employed citizens invest fundamentally more energy and cash on consistence than others and Itemizing and having capital additions are related to higher compliance costs. In the end the study discovered two general patterns. The first is that there has been an upward float in the compliance cost of individual pay tax assessment, potentially because of huge development in the division of citizens who show high consistence cost qualities, both regarding big league salary and pay sources, for example, independent work, capital increases, benefits, and annuity pay, and rental pay and the Second is that there is no proof that the tax change demonstration of 1986 stemmed the tide of this development in compliance costs.

An investigation by (Mahangila 2017) demonstrated the effect of tax compliance costs on tax compliance conduct. He attempted to utilize a little example of SME citizens. The investigation discovered whether an expansion in annual assessment compliance costs prompts a decline in personal compliance cost. Tax compliance happens when citizens submit to burden laws. Moreover, the study recommended that tax specialists can improve programs of tax simplifying programs by zeroing in on lessening tax compliance costs. Tax authorities ought to contemplate the impact of tax compliance costs while presenting new/fresh taxes. Besides, tax authorities should keep on changing tax frameworks to lessen tax compliance costs. Furthermore, a reduction in tax compliance cost can expand SMEs' assessment compliance levels.

Tax compliance is a critical issue for some tax specialists and it's everything except a straightforward task to persuade residents to follow tax requirements in spite of the way that tax laws are not by and large definite. An investigation by (Palil and Mustapha 2011) dissected the advancement and idea of tax compliance in Asia and Europe. Their principle objective is to give further comprehension in tax compliance

discipline by checking on past global writing. Assessment information gives off an impression of being a significant component in tax compliance; however, the level required degree of information changes among nations. Besides, they discovered diverse financial factors, for example, tax rates, tax reviews, and impression of government spending just as institutional components have both positive and negative relationship with tax compliance. In the end, the study presumed that the public authority ought to consider the qualities of resistant citizens genuinely and audit current guidelines. Also increment review rates and punishment rates just as endeavoring to fabricate great associations with citizens in looking to improve general assessment compliance levels.

Compliance cost is a consolation to convey the arrangements or decisions of tax collection that are required or mentioned to be actualized. An examination by (Puspita, Subroto et al. 2016) explored the conduct of corporate citizen's dutifulness of their tax consistency. The study discovered various elements which impact the conduct of corporate tax compliance, for example, tax arranging inspiration, tax lessening and nature of tax official's assistance, tax arranging, tax information, and view of reasonableness in assessment framework. Moreover, the findings from this research shows that tax collection information predominantly impacts tax compliance citizens contrasted with the build of assessment arranging and the impression of decency of the tax framework. Toward the end, the research presumed that citizens would rehearse the tax arranging and comply with the cost accommodator if there is tax rebuking, nature of assessment officials' administration, tax information, and view of decency in the assessment framework.

Tax income, in a nation fills in, as the lifeblood for the public authority. (Mughal 2012) led an examination on reasons and reasons for tax shirking and avoidance in Pakistan. The study discovered different reasons of tax avoidance, for example, no open edification crusade, absence of satisfactory tax impetuses, and helpless relationship of citizens and authority. Moreover, expansion of expenses and lack of education of assessment computation are likewise the significant reasons for tax avoidance in Pakistan. Besides, the given study recommended that an assessment enumeration ought to be directed, a review unit ought to be set up and tax leeway endorsements ought to be

given to the citizens. Moreover, motivators ought to be declared to citizens and new strategies ought to be created for citizens. The government ought to advise the citizens about the requirement for compliance.

Tax avoidance in Pakistan is exceptionally high that has prompted decayed financial circumstances and the absence of public help conveyance. An examination by (Kamal 2019) demonstrated tax avoidance in Pakistan: determinants and essential strategy mediations. The study discovered various reasons for tax avoidance in Pakistan which are tax spirit, sensations of blame and disgrace. Moreover, there are additionally numerous different reasons, for example, absence of trust in government, discernment about others residents taking care of assessments and level of punishments. Besides, the study found that factors of blame, debasement and saw punishment didn't have a lot of effect on tax avoidance while factors containing usage of expense cash, disgrace and insight about others in the region paying their assessments had a lot of effect on tax avoidance individually. In the end, the study proposed that a climate of compliance by the public authority will likewise urge individuals to follow the assessment laws. This would make a culture of assessment compliance and individuals will consent more because of the social effects.

Tax compliance has consistently been a significant worry for all assessment organizations. A study by (Thuc 2013) explored an audit of components affecting compliance cost. The primary point of the investigation is to distinguish the factors of assessment compliance broken down by analysts from different nations and embrace them to the Viet Nam. In addition, the study highlighted various determinants of tax compliance, for example, net revenues, industry hazard and development rate, and expense information. Besides, there are likewise numerous other factors for example, normal practices, public spending, moral duty, and saw decency. Toward the end, the findings proposed that the administration ought to give arrangements to citizens.

Pakistan has consistently performed low on tax collection, with income assortment floating around 10% of GDP. An examination by (Cyan, Koumpias et al. 2016) indicated the impacts of broad communications crusades on peoples mindset about tax compliance; semi exploratory proof from overview information in Pakistan. They found the viability

of broad communications crusades in the TV and public papers utilized by the Federal Board of Revenue (FBR) of Pakistan to expand mindfulness, tax documents, and, eventually, tax assurance. Moreover, they found further developed perceptions identified with tax compliance in Pakistan for respondents introduced to the TV and paper advancements. The discoveries indicated that all-around planned broad communications missions can upgrade willful tax compliance. Towards the end, they inspected the impact of various media crusades in Pakistan on the assessment resolve people. Both TV and paper advertisements can improve tax spirit. Additionally, they locate that the impact of the paper promotion is more grounded than the impact of the TV advertisement. Broad communications missions can effectively improve tax assurance in a creating economy. Broad communications missions can be a compelling instrument for citizen instruction.

Pakistan has shown a continuous battle with low-duty assortment. An examination by (Cyan, Koumpias et al. 2016) inspected the determinants of expense confidence in Pakistan. Also, the study analyzed what shapes citizens' mentalities towards tax compliance. Moreover, the findings of the study showed the bunches with lower workforce interest rates have more inspirational mentalities towards tax compliance in Pakistan. Instructed respondents have higher assessment confidence in contrast with the ignorant. Moreover, metropolitan territories, which are the biggest populace communities, are industrialized and seats of government have essentially high duty spirit. Then again, females have likewise altogether higher expense resolve than guys. In any case, their mentalities towards tax compliance definitely deteriorate with the progression of time to the degree that old guys have higher assessment resolve than older females. Toward the end, the study recommended that the tax organization ought to evade further disintegration of the possibly more agreeable citizens' discernment about the organization by lessening examples of degenerate practices and wiping out the yearly act of expense reprieves.

Tax assessment is a framework that is acquainted by the government with raised pay incomes which will be used for social government assistance reasons. An investigation by (Manual and Xin 2016) pointed to the compliance cost behavior of independently employed citizens in West Malaysia. Additionally, they found that how tax

information, tax discouragement and tax compliance costs impact compliance behavior. Likewise, discouragement tax estimates show a huge relationship with the tax compliance behavior of independently employed citizens. In the interim, the outcomes for tax compliance costs and assessment information are inconsequential. The discoveries additionally demonstrated that citizens' uplifting mentality to prevention might improve their compliance behavior by having contradiction on the conduct of under revealing available pay and over asserting operational cost to decrease chargeable pay.

The current examination by (Kirchler, Niemirowski et al. 2006) explored how tax collection is spoken to in the personalities of Australian citizens and whether shared convictions and assessments are identified with citizen consistency. The study discovered various insights, for example, closeness in convictions and assessments of tax law intricacy, tax mindset, morals and accepted practices, even and vertical distributive reasonableness and reasonable trade with the public authority, perspectives towards the public authority, and decisions of expense and expense preparers' help. At last, empowering, treating citizens decently and sensibly, clarifying guidelines and choices, and giving dependable data and answers for questions, will prompt improving the standing of assessment executives and to saw procedural reasonableness which may prompt an expanded ability to conform to the actual intent of the law.

The motivation behind this examination by (Alshira'h and Abdul-Jabbar 2020) is to research the impact of assessment review, tax rate and expense punishment on deals tax consistency. Additionally, regardless of whether assessment review, tax bracket and cost punishment sway deal tax compliance in direct connections. It likewise inspected the directing impact of nationalism in the association of tax review, tax rate, and assessment punishment with deals tax compliance of SMEs. To spike monetary development and advancement of (SMEs) around the planet are relied upon to consent to burden laws. The significance of tax as a primary wellspring of public account, upgrade of the framework and arrangement of public administrations, which thusly, spikes financial development for both creating and created nations, has been made much understood. The discoveries indicated that tax review and expense punishment were decidedly connected with the

degree of deals tax compliance, though tax rate was unimportantly connected with deals tax compliance.

Evaluations are the normal cost for fundamental things in an illuminated society that people need to pay, basic for money related new development and organizing. An investigation by (Saqib, Ali et al. 2014) analyzes the effects of taxes on monetary activity in Pakistan. Monetary development is examined through certifiable GDP, use and theory. The study found the negative impacts of taxes to GDP proportion on genuine GDP, negative impacts of personal tax on the venture, and contrary impacts of deals tax on family utilization consumptions. The discoveries of the study indicated that assessments had investigated the negative impacts of taxes on the economy of Pakistan. Both utilization and venture that are viewed as major financial exercises, demonstrated negative reaction against tax. Accordingly, the impacts of the tax on GDP are additionally negative. In the end, they recommended that tax assessment in Pakistan ought to be improved by expanding government consumptions on open administrations, decreasing hole among immediate and circuitous tax.

People don't care for covering taxes, they make an assortment of moves to lessen their assessment liabilities and on numerous events, and they succeed. An examination by (Alm and Torgler 2011) contended that do morals make a difference, compliance estimates, and profound quality. The study found that the puzzle of compliance estimates can be clarified in any event to a limited extent by perceiving the ordinarily dismissed part of morals in individual behavior. That is, people don't generally carry on as self-centered and reasonable. Additionally, they contended that a full place of compliance systems is expected to battle tax avoidance, methodologies that incorporate the customary "authorization" worldview proposed by and steady with the neoclassical hypothesis. Furthermore, they recommended that it is an authentic objective of the government is to improve its capacity to gather taxes `from its residents.

An investigation by (Wang and Lu 2021) inspected the effect of religion, e.g., Buddhism and Taoism, overall on corporate tax compliance in China. The study found that organizations settled in areas with a more grounded, strict environment are bound to improve in tax compliance. Besides, the tax compliance impact is directed by monetary



inspiration and strict power, and fluctuates with heterogeneity in proper foundations. The impact gets reinforced in firms where there more female supervisors, while debilitated in firms situated in waterfront districts that are more helpless against culture stuns. The impact is additionally more articulated in districts with more vulnerable proper establishments, for example, more regrettable lawful climate or laxer tax authorization. Toward the end they proposed that tax compliance could be expanded if the religion capacities appropriately, saving the expenses of expanding tax implementation through conventional foundation somewhat.

An examination by (Slemrod and Sorum 1984) analyzed two Pakistani projects to investigate the job of discouragement just as social and mental elements in the compliance estimate behavior of authorities. In the primary projects, the public authority started uncovering annual cost paid by each citizen in the country, and the subsequent program openly perceives and compensates the main 100 duty paying companies, associations, independently employed people, and breadwinners. Besides, the revelation program opens tax dodgers to the dread of whistle-blowing from peer bunches on the off chance that the duty installments don't coordinate the degree of utilization and abundance seen by them. It might likewise intensify the blame and disgrace felt by possible dodgers. Likewise, the study recommended that to the degree that dread, disgrace, and pride persuade people toward favorable to social conduct, the administrations can use them to advance compliance and henceforth government assistance.

An investigation by (Torgler and Schneider 2005) examined perspectives towards paying assessments in Austria: an exact examination. Besides, the study inspected residents' mentalities toward making good on taxes and expense assurance. Assessment resolve might be a critical determinant to clarify why individuals are straightforward. Moreover, the study found that there are not many papers that investigate the idea of cost confidence hypothetically and experimentally. There are various factors, For example, trust or pride has been distinguished as key determinants that shape tax assurance in Austria. What's more they found that, an advanced education prompts lower tax resolve. Then again wedded individuals appeared to have higher assessment confidence than singles.

In the greater part of the nations, tax income is a significant wellspring of government pay. An examination by (Awan and Hannan 2014) tested the determinants of tax avoidance in Pakistan from both citizens and assessment gatherers perspectives. They found that each resident legitimately will undoubtedly pay tax to the public authority to empower to meet its uses to release its commitments with respect to protection, schooling, general well-being, law and equity, foundation, and so on. In addition, they explored that tax avoidance is worried about all unlawful exercises which are embraced by the citizens to escape from the installment of tax. Moreover, they featured six primary drivers of duty assortment: ineffective consumptions, against tax culture, degenerate expense organization, various and higher assessment rates, complex tax framework, and reprieves and motivators for tax dodgers. Toward the end they recommended that there is a need to depoliticize the tax assessment office and the tax laws and methods ought to be created straightforward and effectively justifiable so that individuals can pay burdens without any problem.

An investigation by (Blažić 2004) showed the tax compliance costs of small level businesses in Croatia. This examination assesses that the cost of tax compliance of specialty units that pay a singular yearly annual tax for the time span of 2001/2002 in Croatia. They involve all taxes, aside from custom obligations. In addition, this investigation demonstrates the regressive impact, estimated by various size measures. In addition, a form of time cost, prevalently the proprietor's time, is dominating. In total individual personal tax and VAT (Value Added Tax) both practically have similar significance while taking about the types of taxes? Moreover, they tracked down that the level of all-out compliance cost of small venture in GDP is around 0.8%, which is generally high however not amazingly. On the other hand, the level of individual personal income tax compliance costs in the applicable tax incomes is very high (practically 100% or 65% under the elective time valuation), which calls for the replacement of self-evaluation by a single amount charge. The level of VAT (Value Added Tax) compliance costs is additionally significant (25% or 16%) requiring a higher exception edge or higher three-month announcing limit at any rate. The psychological costs appear to be low. In the end, they concluded that the research ended up being exceptionally strenuous, durable and muddled by institutional impediments. The

significant business populace had no involvement in investigations of that sort and was hesitant to give a few subtleties, which added to the intricacy of the research.

The relationship of tax compliance cost and business system has been investigated by (Eichfelder and Schorn 2012). They track down that as a result of instruments, similar to information development, enhanced money accounting or re-appropriating compliance activities to tax consultants, private associations have a lot of procedures to propel their tax compliance cost inconvenience. Likewise, they tracked down that countless private companies/adventures in Germany would have the choice to lessen their compliance cost trouble by a significant degree of reexamining tax measures. Additionally, they found that there was no basic confirmation for a cost decline by an electronic data trade with the tax and social security specialists or by a chipped away at cash accounting system for tax purposes. The inconsequentiality of e-archiving could be achieved by fire-up costs balancing cost diminishes or by the shortfall of possible support in view of the choice of an electronic accommodation method. Also the unimportant effect of cash accounting may be interpreted in an unexpected way. Toward the end they suggested that progressing paid arranging could be a fitting procedure to lessen the tax compliance trouble especially of private ventures. Consequently the cost of outside tax direction should be charged deductible similarly to other cost orders. Moreover government specialists and business affiliations could endeavor to enlighten about conceivable cost disappointments of in-house tax compliance to chip away at the cost mindfulness with private companies/adventures.

The aim of this study by (Verboon and Goslinga 2009) is to mull over the association between reasonableness considerations and tax compliance points of view and assumptions. Likewise, in the current investigation, they showed a quick effect of procedural reasonableness on tax compliance points of view, and the examination uncovered that when more procedural decency/tolerability was seen, more inspirational perspectives towards tax compliance arose. Regardless, procedural decency didn't impact assumptions to follow tax rules. Furthermore, they additionally found that singular principles directly sway tax compliance perspectives, anyway that singular guidelines moreover moderate the effect of distributive decency on these attitudes and on expects to

go along. Towards the end, they inferred that to propel tax compliance among independent ventures business people. Tax specialists should take action to ensure that business visionaries consider being structure as sensible. Potential tax dodgers are those people with low close to-home standards, and especially for these people distributive reasonableness seems to affect tax compliance viewpoints and points. Consequently, by growing distributive reasonableness perceptions, especially among people with low close to-home standards, tax compliance mentalities might improve and expectations to be insubordinate could lessen.

A study by (Alabede, Ariffin et al. 2011) showed the determinants of tax compliance behavior: a proposed model for Nigeria. They tracked down that the different tax changes attempted by the Nigerian government to expand tax revenue throughout the year; however, earlier measurable proof shows that the commitment of income tax to the Government's complete revenue remained reliably low and is generally shrinking. Moreover, to acquire an inside and out understanding of the elements affecting individual taxpayers' compliance conduct in Nigeria. In addition, this study proposes an expansion to Fischer's model of tax compliance to join apparent tax administration quality, public administration quality, and ethnic variety just as directing impact of taxpayer's monetary condition and risk preferences. In addition, this study brings to the information on government of developing nations particularly Nigeria, tax administration and policy makers the compelling role of impression of the taxpayer's about nature of tax services, public administration quality, the ethnic variety just as directing impact of citizen's monetary condition and risk preferences on tax compliance conduct just as different variables and the requirement for policy to be co-ordinated towards affecting these elements decidedly for development in tax compliance level. In the end, they finished up and recommended that the government or tax authorities should formulate a financial, social/economic and political approach through the model, so the government would realize the specific arrangement to follow to support the compliance behaviour of the taxpayer's.

A paper by (Alm, Cherry et al. 2010) featured the taxpayer's information help administrations and tax compliance conduct. They found that the traditional "enforcement" worldview of tax organizations sees taxpayers as expected crooks and

stresses the suppression of illicit behavior through incessant reviews and hardened punishments. Moreover, they showed that people report less tax when their danger is problematic, anyway that this lower specifying is more than adjusted when the tax office gives information at negligible cost to the resident. Additionally, they likewise found that tax uncertainty diminishes filing however that information arrangement again counterbalances the vulnerability impact on documenting; this latter result is quite compelling on the grounds that non-filing is hard to identify and rebuff in the field. In the end, they proposed that outcomes indicate clearly that strategies to further develop compliance should be founded on more than further developed enforcement only. Instead, what is required is a multi-layered strategy approach that underscores implementation, however one that additionally underlines other administration policies like administrations. Put in an unexpected way, detection and discipline should be available the discipline worldview however different tools are also required, tools that mirror the provision of better services to taxpayers reliable with the assistance worldview. So, there ought to be a wide scope of policies to reflect the similarly wide scope of inspirations that lie behind individual's compliance choices.

A study by (Guyton, Korobow et al. 2005) showed the effect of business ascribes on tax compliance costs. They investigated the effect of business ascribes, for instance age, size, areas, and hazard the board on tax compliance costs. Moreover, they found that organizations age and size, set up organizations and the more youthful organizations needn't bother with tax costs to meet their tax responsibilities. Also, business areas remembered for the little, medium endeavors don't calculate the cost of figuring, settling and itemizing taxes. Then again, hazard the board, the investigation has found that hazard the executives could impact on tax compliance cost. This finding is solid in which the association gives the cost to fulfill its tax responsibilities. With the fulfillment of responsibilities/commitments, the degree of compliance and impact on corporate remaining in partners to be OK. In the end, they assumed that the examination discoveries show that age, size, and area do not affect tax compliance costs while hazard the executives influence tax compliance cost. Moreover, they proposed that discoveries will give critical encounters to the organization's approach makers, experts, academicians, and other managerial specialists in arrangement plans.

An investigation by (Chebusit, Namusonge et al. 2014) showed the components affecting tax compliance by Small and Medium Enterprises, with an uncommon highlight on personal tax and worth included tax and their possessions government income. They found that tax compliance level, which is an inside factor impacting tax income, subverts the tax organization framework as well as makes the tax base tight and biased. The investigation shows that there was a positive connection between the tax and compliance cost, fines and punishments viewpoints, and tax compliance. What's more, the discoveries show that compliance cost, fines and punishments, and mindset had a critical relationship with tax compliance. Toward the end they proposed that the tax framework system ought to give an unquestionable and clear standard on the most capable strategy to fill tax shapes yet also update singular guidance organizations to enable the taxpayers to understand their advantages and responsibilities as taxpayers, there ought to be moderate degrees of fines and taxes so SMEs are asked to come since they will save definite records for tax assortment purposes to avoid fines and disciplines. In addition, tax compliance costs significantly influenced tax compliance. The discoveries suggest tax structure with low tax compliance costs are likely going to be adjusted. As such, the tax compliance cost ought to be in a manner that doesn't ask taxpayers to avoid tax. Tax framework systems ought to be in like manner update perception and checking to ensure that all of the taxpayers are brought into the tax net.

An examination by (Oladipupo and Obazee 2016) investigated the impacts of taxpayer's data and punishments on tax compliance among little and medium endeavors in Nigeria. They found that tax data basically influenced tax compliance while tax punishment unequivocally influenced tax compliance cost. Besides, the investigation shows that tax data/information has a higher inclination to propel tax compliance than tax punishment. Tax information has a huge influence on growing tax compliance. Besides, Tax information may really urge taxpayers to be more sensible in finishing their tax returns. Independently employed people should endeavor anyway however much they could be anticipated to acquire a solid level of tax information as it applies to their organizations. Besides, gaining tax information appreciates many advantages. It would save the taxpayers from utilizing specialists to figure taxes for their organizations and in this manner saving huge tax consultancy costs. It can assist them with decisively figuring

tax payable and avoid accidental resistance. Toward the end, they suggested that administration or tax specialists ought to hence do everything that can possibly be reachable to grow public data on tax matters, and tax instruction should be associated with instructive school projects reliably. Little and medium-scale business visionaries should in like manner attempt to impel their tax information and care for the common benefits of the public authority and taxpayers.

An investigation by (Kamleitner, Korunka et al. 2012) shows the tax compliance of small and medium entrepreneurs. As entrepreneurs assume a significant part in the tax system framework thus, this study tries to set up a structure to feature the specific tax circumstance of small and medium entrepreneurs and the subsequent implications according to a psychological perspectives. Moreover, they discovered three fundamental perspectives to perceive little and medium entrepreneurs' impression of their tax situation. Small and medium business visionaries are presumably going to see a bigger number of chances not to come than used taxpayers, they are bound to experience a shortfall of huge tax evaluation information; and they are bound to go up against decision edges that render taxes as anguishing adversities. Besides, they included that little and medium business visionaries face conditions that believers into, particularly unwilling decision impacts. Because of their individual nature and their specific tax situation, they imagine that it is hard to understand and follow the tax assortment system, they face decision outlines that favor rebelliousness, and they have and are presumably going to see further developed opportunities not to come. Towards the end, they proposed a connection between the passionate experience of the tax situation and compliance requires consideration on techniques that intend to affect taxpayers' perspective on their own aversion openings, their degree of legitimate and procedural information, and their sensation of obligation regarding tax cash.

Lessening tax compliance costs could work with and work on the helpfulness and worldwide force of little endeavors, which hence would allow these organizations to apply more resources for major business activities and add their business breaking point and pay rates. An investigation by (Smulders, Stiglingh et al. 2017) showed that private companies would overall rely upon outer specialist co-ops, for instance, tax trained

professionals, clerks, legal counselors, and bookkeepers, to assist with their tax issues. In addition, this examination found that installments to outer experts clearly impact a private venture's tax compliance costs. The discoveries of this investigation show that, albeit the authoritative archive, age, usage of little endeavor tax concessions, level of schooling of the respondents, and the kind of accounting framework utilized are truly huge determinants of outer tax compliance costs, turnover is the best determinant. Moreover, the discoveries similarly exhibit that outer compliance costs are in reverse as per the size of a business, certifying past research discoveries in this field. In addition, turnover was observed to be the variable that fundamentally affected external tax compliance costs. In the end, they suggested that small businesses should start up with the apparatuses, services, and exhortation important to be tax compliance from the beginning. Government should give small businesses enrolling to tax with focal admittance to the help from tax consultants that they in any case, could not afford. As a result, this would advance occupation creation and tax compliance among small businesses.

The self-assessment system (SAS) has been extensively rehearsed all through the planet. An investigation by (Saad 2014) reviews taxpayers' points of view on their degree of tax information and saw the multifaceted design of the annual tax system. Additionally, the examination tries to make a plunge into the secret purposes behind rebelliousness. This issue of information and a complex tax system was even fundamental among the self-utilized people who are depended upon to oversee awkward tax matters. Due to the complex tax system concerning compliance conduct, people, all things considered, acknowledged that demeanor, seen social control; unpredictability, and decency experiences have mostly added to taxpayers' resistance. The discoveries of the investigation show that taxpayers lack particular information and see the tax system as unusual. Tax information and tax intricacy are viewed as contributing elements towards compliance direct among people. In the end, they suggested that tax authorities should encourage their tax schooling and revise the program of disentanglement the tax changes.

A study asserted that data about tax law is believed to be of more importance for tendencies and points of view towards tax assortment. An investigation by (Palil and Mustapha 2011) showed the meaning of tax information in choosing tax compliance



conduct in self-assessment system (SAS) in Malaysia. They found that the SAS (self-assessment system) has turned into the key tax administrative methodology in made countries including the USA, UK and Australia. Moreover, the introduction of SAS (self-assessment system) typically achieves further capability gains by implies, for instance, diminishing in the necessities to supply the supporting records and proof of payment and deductibles to the tax authority while presenting a tax return. Additionally, the point of convergence of this examination was good all-around of Malaysian individual taxpayer's information and what tax information levels mean for tax compliance conduct in another SAS (self-assessment system). The finish of the investigation was that in the self-assessment system in Malaysia, tax information inside and out influences tax compliance and the degree of tax information varies among respondents. This result suggests that financial information relates to points of view towards tax assortment, and subsequently, tax conduct can be improved by a predominant cognizance of tax laws and tax perspectives can be chipped away at through better tax information. Toward the end they proposed that giving more tax information to a greater get-together of society helps with hindering tax aversion in SAS (self-assessment system). Showing tax laws and tax information as a vital piece of optional school instruction might be critical in a self-assessment system to construct deliberate compliance. While then again, less tax information relates with negative viewpoints toward taxation, gathering that an unrivaled disposition could be cultivated through better tax information. Furthermore, it in like manner gives a marker to tax tops of the overall meaning of cost data in assisting with the arrangement of tax training programs, enhancing tax system and making comprehension of taxpayer's conduct.

The Malaysian tax system is right now practicing a Self-Assessment System (SAS) which engages taxpayers to survey, decide, and pay their tax obligation as per tax legislation. A study by (Faizal, Palil et al. 2017) showed the connection between justice and trust with tax compliance behaviour in Malaysia. Additionally, they also found that trust impacts the demonstration of tax compliance and it also has a relationship to the component of justice. The findings of the study featured that solitary procedural justice and trust influence tax compliance and procedural justice was positively and significantly related to trust. In any case, trust doesn't mediate the relationship between justice and

compliance. Moreover they found that the respondents accepted that their compliance behavior would be expanded in the event that they got reasonable and just treatment when managing the tax authority and in the event that they had trust in the tax authority. In the end, they proposed that tax authorities should give justice and a reasonable tax system to the businesses so that they can pay their taxes in a respectful manner and the tax authority can gather a major measure of taxes from individuals.

Tax cheating is just about as old as tax laws. The given investigation by (Klepper and Nagin 1989) showed tax compliance and impression of the dangers of discovery and criminal arraignment. In this study they found that how certain feature of the enforcement of the tax laws shape the view of the dangers of detection and punishments for tax non-compliance. In addition, they also analyzed the impacts of these insights on in-tended non-compliance behaviour. The findings of the investigation offer solid help for different hypotheses concerning the impact of the enforcement cycle on insights. They also track down that the apparent danger of criminal arraignment seems to go about as an incredible hindrance to resistance. Furthermore, the findings recommend that taxpayers are sensitive to their non-complex behaviour on the dangers of identification and criminal arraignment and that these dangers affect their ability to participate in non-compliance. They proposed that tax authorities should work with the taxpayers and provide them facilities and also give relief to them.

The presence of the SME sector plays a significant part in advancing economic development and evenhanded circulation of economic exercises. An investigation by (Mukhlis, Utomo et al. 2015) analyzed the job of tax assessment preparing on the tax information and its impact on tax reasonableness and tax compliance of handcraft SME area in Indonesia. They found that the SME sector assumes a significant part in expanding tax revenue. The continued development with the advancement of the SME sector can contribute to expanding the state tax revenues. The discoveries show that tax schooling basically affects tax information; while tax information also has a gigantic and helpful result on tax equity, tax equity has a tremendous and useful result on tax compliance and tax information and has an enormous valuable result on tax compliance as well. They suggested that strengthening the tax instruction is indispensable in

trimming the tax data, so it can grow tax compliance. Additionally, tax socialization tries ought to be conceivable by government and tax specialists through the dispersing of information about the kind of tax, tax rates, and tax installment instruments.

A study by (Casal, Kogler et al. 2016) showed that tax compliance relies upon the voice of taxpayers. In this study, they focused on taxpayers' information and association in the tax system by introducing the factor voice on dispersion. Also, they tracked down that decreasing the social distance among people and tax specialists helps taxpayer's affirmation of tax weight and tax compliance. The discoveries of the examination show that having a voice on tax responsibilities and tax movement prompts higher compliance. Also, compliance was higher in the setting avoiding tax laying out than concerning tax portions. They likewise found that the tax casing may push taxpayers to interface more evasion when the issue is inside a tax installment rather than when they face a public use outline. Around the end, they suggested that tax specialists should make such sort of casings that can attract the taxpayers to follow through on their taxes and avoid compliance.

A study by (Christian and Alm 2014) analyzes the impact of "empathy" and "sympathy" on tax compliance. The study tracked down that the presence of sympathy much of the time supports more tax compliance. Additionally, the given study also found that preparing to evoke sympathy likewise emphatically affects tax compliance. Moreover, the study also featured that when the rates of detection and penalties are little, why is there such a lot of tax compliance. They also researched the ethical aspects of the tax compliance choice by thinking about the roles of two good feelings in tax compliance: empathy and sympathy. They saw that, with more elevated levels of empathy and sympathy, the ethical inclination coefficient increments and tax avoidance diminishes. The discoveries show a positive connection between giving thoroughly portrayed and tax compliance. Towards the end, they recommended that people are affected by ethical quality, normal practices, and a feeling of fairness, so the tax authority and government should give such facilities to the taxpayers.

At the point when authorities authorize strategies in a reasonable way, individuals from the social aggregate they address are bound to willfully conform to their choices. A study by (Van Dijke and Verboon 2010) explores the coordinating job of trust in experts in the positive result of procedural reasonableness of the tax office on intentional compliance with tax specialists. Then again, low trust in specialists makes people circumspectly deal with the reasonableness with which the tax office establishments strategy. This shows the positive procedural reasonableness impacts on guaranteeing of guidelines underwriting taxpaying and, hence, in stubborn tax compliance, particularly among occupants with low trust in specialists. Towards the end, they assumed that high trust in specialists structures huge limit condition to the amplex of procedural sensibility as a device to further develop tax compliance. Besides, they proposed that there is the requirement for tax authorities to guarantee that dynamic methods are ordered in a reasonable way especially while associating with residents who doubt authorities. Also, the behavior of various types of societal authorities influences each other's viability.

For what reason do people oppose complete compliance with their tax responsibilities and for what reason does the present circumstance contrast globally? An investigation by (Riahi-Belkaoui 2004) directed the role of confidence in authorities in the positive outcome of procedural fairness of the tax office on deliberate compliance with tax authorities. On the other hand, low confidence in authorities makes individuals cautiously take care of the fairness with which the tax office institutes methodology. This shows the positive procedural fairness impacts on the underwriting of standards endorsing taxpaying and, thusly, in willful tax compliance, especially among residents with low confidence in authorities. In the end, they presumed that high confidence in authorities forms significant limit condition to the adequacy of procedural reasonableness as a tool to improve tax compliance.

Tax compliance is a critical issues for governments and the public the same. An examination by (Alon and Hageman 2013) showed the impact of defilement on firm tax compliance. The examination rushes to take a gander at the impact of social trust and to perceive summarized trust and particularized trust Li (2009). Besides, the examination

found that more raised degrees of defilement and more critical degrees of particularized trust are connected with lower levels of tax compliance. Besides, they furthermore tracked down that the negative relationship between debasement and pollution and tax compliance is weakened in conditions of higher summarized trust. Around the end, they derived that lessening tax-related degradation, growing confidence in outsiders, and, inquisitively, reducing reliance on friends and family are for the most part, ways to deal with fabricating tax compliance of firms encountering huge change economies.

A study by (Hudson and Godwin 2000) examined the determinants of compliance costs of the system of direct tax assessment referred to as Pay as you Earn (PAYE) in the UK. This is managed by firms who deduct the tax from their workers and, after a slack, pay it to the Government. What's more compliance costs are straightforwardly relative to unsettling influence factors for example work market streams and intricacy factors for example normal compensation and the extent of relaxed specialists and the recurrence with which laborers are paid. Also, the study observed that compliance costs to be a critical factor in business costs. As small firms are bound to pay consistently than huge firms, this further raises their compliance costs. This makes the tax system of the UK undeniably challenging. The study recommended that the administration of the UK should give facilities to the taxpayers from whom the tax authority or government gathers direct taxes.

In the cycles of governmental change through information and correspondence advances, a huge looked for advantage has been the acknowledgment of the decreases of compliance cost. A paper by (Stafford and Turan 2011) showed that to reach groundbreaking changes in administrative activity, it will initially be important to comprehend and improve current legislative e-Service arrangements. Additionally, this investigation found the elements identified with the utilization and acknowledgment by bookkeeping experts of data innovation planned to work with electronic tax filing systems. Furthermore they found that aim to utilize mechanized frameworks as a component of the administrative depository work change is obstructed by factors that intercede real intends to do as such, for the most part as far as standardizing pressing factors and impression of social control, which preparing and schooling might well

enhance. Toward the end, they recommended that the administration should introduce this e-system work concurring with the information on individuals.

## **2.2 Conclusion of Literature**

Tax compliance is an intense issue now a day. Literature is available overall practically in each country. In the above literature, we have understood that there are many components through which tax compliance cost happen and is significant. Tax compliance has been a significant subject of research in countless developed and developing nations. Since each country has its own specific manner of managing to supervise tax compliance levels and each has different cost laws and rules. The factors influencing tax compliance conduct appear to change among countries. In the above-given literature, almost every study gives suggestions, i.e., the tax authorities should provide the facilities and reliefs to the taxpayers. Moreover, the government should make the tax system easy to understand and fair for the individuals so that the tax authorities and government can raise their revenues.

The above literature shows that tax compliance has consistently been a significant worry for all the developed and developing countries. Cost of tax compliance varies country to country because of the difference of tax rates, destitution, nonappearance of assessment profound quality, absence of a satisfactory requirement and many others. For example a study found that in the U.S low-to-center pay citizens have less than ideal compliance costs and major league salary citizens pay more for proficient help and have a lot higher than normal absolute tax (Blumenthal and Slemrod 1992). Moreover, in Viet Nam, it is spotted various determinants of tax compliance, such as, net revenues, industry hazard and development rate, and expense information (Thuc 2013). Moreover, in comparison, in Pakistan there are also many reasons of the tax compliance i.e. high tax rates, the connection between citizens and authority is exceptionally poor, expansion of taxes, ignorance of tax count, expansion of expenses and lack of education and many others (Mughal 2012).

### **2.3 Literature Gap**

It is concluded from the literature reviewed above that tax compliance costs for business tax compliance are very important. Based on this the present study will assess the compliance cost for organizations/Businesses located in Faisalabad. In addition, the literature identifies that there are a variety of tax compliance hindrances. So, this study intends to analyse the tax compliance hindrance variables. Literature reveals that as a result of instruments like IT, smoothed out cash bookkeeping, or subcontracting of compliance exercises to tax consultants, private firms have a set-up of systems to streamline their monetary weight of tax compliance. However for Pakistan it is a perception that instead of following the above best practices the firm tend to avoid tax compliance altogether. So there is a cogent need for analyzing the business/firms tax compliance costs and tax compliance hindrance variables. Moreover, in the previous studies they did not made surveys from retailers and whole sellers (W.H). In this study we will conduct surveys from the retailers and also from small businesses because there is less work in Pakistan on Tax Compliance at micro/small level enterprise.

## CHAPTER 3

### DATA DESCRIPTION AND RESEARCH METHODOLOGY

This section of the study covers the data collection procedure, sampling techniques, and empirical framework of the models which will be used in further estimations and calculations. It includes the following;

#### 3.1 Study Area

This study has taken Faisalabad, once known as Lyallpur, and the third most business-crowded city in Pakistan after Karachi and Lahore separately, and the second biggest in the eastern region of Punjab as the investigation region. Faisalabad city gives a total nexuses of business exercises that suit the investigation goals of the study. Faisalabad has developed to turn into a significant modern and circulation center as a result of its focal area in the district and interfacing streets, rails, and air transportation. It has been alluded to as the Manchester of Pakistan. It is a maker of modern products and material assembling including cotton and silk materials, super phosphates, hosiery, colors, mechanical synthetic substances, attire, mash and paper, printing, agrarian hardware, ghee (purified margarine), and drinks.

Moreover, the Faisalabad clock tower and its eight bazaars (markets) remain a major trading zone in the city. Each of the eight bazaars has a special name and is known for selling certain goods as follows:

- Katchery Bazaar, named for the court (Katchery) is known for its mobile phone and accessory market.
- Rail Bazar is a gold and cloth market.
- Bhawana Bazaar supplies electrical and electronic goods.
- Jhang Bazaar supplies fish, meat, vegetables and fruits.
- Aminpur Bazaar supplies stationery and interior décor.



- Kharkhana Bazaar is known for herbal medicines.
- Gol Bazaar contains dry fruit, as well as wholesale soap, oil, and ghee shops.
- Chiniot Bazaar is known for allopathic and homoeopathic medicinal stores, cloth, blankets, sofa cloth, and curtains. It also has poultry feed wholesale shops.
- Montgomery Bazaar (also known as Sutar Mandi) is known for yarn and raw cloth trading.

The purpose of this study is to calculate the compliance cost of the businesses for which we have surveyed in Faisalabad, the area of clock tower in the above mentioned eight bazars. The reason behind for selecting this city is that the Faisalabad has been the largest share of Businesses in Pakistan. The area around the clock tower was targeted specifically. The eight bazars of the renowned Ghannta Ghar was targeted to collect data from different types of enterprises e.g. book depo, stationary shops, restaurants, garments shops, mobile market etc.

## **3.2 Data Collection and Sampling Technique**

### **3.2.1 Data Collection**

To accomplish the goals of this investigation primary data was gathered from the matter of Faisalabad for example book depo, mobile markets, restaurants and hotels, clothing shops, versatile market and so forth to gather information from the respondents, an organized survey was created and utilized. For those respondents who had occupied timetables, the surveys were conveyed to them and were recovered after a concurred advantageous time. The respondents who couldn't comprehend the English language, the polls were perused by the creator to make justifiable for them. Absolute more than 400 surveys were directed among the business situated in clock pinnacle and its eight bazars but due to incomplete responses and refusals the final number of questionnaires used is less and 216 respondents presented their reaction which were finished for examination. All the respondents were filer and paid their taxes on regular basis.

Simple Random Sampling technique was used to collect the data based on their business sizes and types of their businesses. Simple random sampling is a sample if individuals that exist in a population are selected at random, without any set rule or formula. Since the shops and businesses do not exist in clusters or by size of a category hence randomization in data was observed.

To check the reliability of the questionnaire cronbach's alpha test has conducted in SPSS.

**Table 3.1 Cronbach's Alpha Test**

		N	%
Cases	Valid	216	92.3
	Excluded <sup>a</sup>	18	7.7
	Total	234	100.0

a. Listwise deletion based on all variables in the procedure.

**Table 3.2 Reliability Statistics**

Cronbach's Alpha	N of Items
.766	33

According to results questioner is reliable.

### 3.2.2 Sampling Technique

Sampling technique that utilized in this examination was simple random sampling technique. Simple random sampling technique is taken on to pick the geological space of respondents which are to lead the exploration and to choose respondents regardless sort of business they are doing, as long as they are self-employed taxpayers. The major reason behind choosing this sampling technique was that; it was time-effective and the most suitable. Moreover, there are different types of businesses in one row and in all bazars there are various types of businesses so that simple random sampling technique was the

best to select the businesses randomly. In this technique, it is decided by investigators what information is needed to gather and what people can give this information voluntarily based on their knowledge and experience in relation to research questions. Moreover, simple random sampling technique is taken on and there were more than 216 of self-employed taxpayers had randomly chosen from Faisalabad to take an interest in this investigation.

### **3.2.3 Discussion of Data**

Questionnaire has been divided into four main parts. First part covered the general questions related business and tax information. Section two mainly focused on Internal Costs Fee for Paying Taxes in which tax refunds and rebates, guidance for complying with tax obligations and tax control is discussed. Moreover, Second section of the questionnaire covered the costs either direct or indirect costs of compliance. In direct cost, consultancy fee, traveling cost and other costs that are directly related to compliance cost are taken. In indirect cost, loss of working hours to complete the legal documentation and the time to comply with the penalties are taken. Third section of the questionnaire covered the External Costs. The last and the fourth part of the questionnaire consist of Final questions in which the reasons behind the tax evasion are also discussed.

### **3.3 Description of Variables**

The description of variables is as follow:

#### **3.3.1 Dependent Variables**

Compliance Cost: Compliance cost is characterized as that load of costs caused by taxpayers or by outsiders in following the necessities of the tax system, well tax payments themselves. Moreover, Compliance costs are the costs which taxpayers and others cause in gathering commitments forced under tax enactment.

In this study we have measured compliance cost by using three proxies i.e. time spent for compliance procedures, personal cost and consultancy fee which are aligned with literature. Moreover, we have converted time into monetary terms by taking money value of time.

Moreover, we have also developed index of compliance cost by using PCA.

#### **3.3.2 Independent Variables**

The independent variables used in this study are as follow:

##### **3.3.2.1 Age of Business**

In this examination age of business is estimated in finished years. The more settled businesses bring about, the higher inner tax correlation charges contrasted and the more youthful businesses. This is because of the greater degree of tax intricacy contrasted and the less youthful businesses. There is an immediate connection between the age of a business and compliance cost. New businesses will in general create little or low turnover with simple business structures. As businesses become more fruitful over the long run and their turnover develop, proprietors will in general support more complicated business structures, especially joining, to limit hazard and tax. This can increment both tax and non-tax compliance costs. Henceforth, the investigation accepts that business age impacts decidedly on tax compliance costs.

### **3.2.2.2 Type of Business (Whole seller, Retailer)**

In variable type of business only two type of business were included for data collection such as wholesalers and retailers. The dummy was created in this regard, 1 = wholesalers and 0 = otherwise. Our theoretical understanding is that Wholesale businesses are bigger hence complex business process are adopted. Therefore these establishments would have a higher cost as compared to retailers (smaller businesses).

### **3.2.2.3 Audit Action**

Compliance cost and audit are like two side of the same coin, they play very different roles. While audit may monitor what the organization is doing. The more established businesses incur more audits by the tax authority as compare to less established businesses. This is because of the greater degree of tax intricacy contrasted and the less settled businesses. There is a positive connection between the audit activity of a business and compliance cost.

### **3.2.2.4 Frequency of Return**

Frequency of return is taken as an independent variable. In variable frequency of return was included for data collection. Compliance cost is directly related to frequency of return. If frequency of return increases the cost increases or vice versa.

### 3.4 Econometric Model

For the econometric analysis the following simple linear model was estimated by using STATA package.

$$Y_i = \alpha_0 + \alpha_1 X_i + \alpha_2 X_{1i} + \alpha_3 X_{2i} + \alpha_4 X_{3i} + \mu_i \quad \text{Equation (3.4)}$$

Where in above the equation;

$i$  = number of observations

$Y$  = Compliance Cost

$X$  = Age of Businesses

$X_1$  = Type of Businesses

$X_2$  = Audit Action

$X_3$  = Frequency of Returns

**Table 3.3: Variables Construction**

<b>Variables Construction</b>		
<b>Variable Name</b>	<b>Measurement</b>	<b>Unit of Measurement</b>
Compliance Cost	Total Time Spent	In Hours
	Personal Cost	Amount in Thousands (PKR)
	Consultancy Fee	
Age of Business	In Completed Years	Number of Years
Type of Businesses	Whole Sellers  Retailers	1 = Whole Sellers  0 = Otherwise (Retailers)
Audit Action	Dummy	1 = Yes  0 = Otherwise
Frequency of Returns	In Numbers	Numbers i.e., 1, 2, 3 etc.

### **3.5 Principal Component Analysis**

Principal Component Analysis, or PCA, is an estimations decrease strategy that is often used to lessen the estimations of enormous informational indexes. In this study we were using different variables to measure the compliance cost. That's why we have used PCA for index development of compliance cost.

### 3.6 Standardization

The motivation behind this progression is to standardize the range of the continuous initial variables with the goal that every single one of them contributes similarly to the analysis. All the more explicitly, the motivation behind why it is basic to perform standardization before Principal Component Analysis and run regression. It is very important in regards to the changes of the initial variables. That is, in case there are huge contrasts between the scopes of initial variables, those variables with bigger reaches will overwhelm over those with little ranges for example a variable that reaches somewhere in the range of 0 and 100 will rule over a variable that reaches somewhere in the range of 0 and 1 which will prompt one-sided results. Thus, changing the information to practically identical scales can forestall this issue.

It can be observed that the unit of measurement is different for every factor. This poses a problem because factors on different scales are harder to compare, leading to misinterpret variable importance. Therefore, standardization of data has been done to avoid such problems. Moreover, we have converted time into monetary terms by taking money value of time.

Numerically, this should be possible by taking away the mean and isolating by the standard deviation for each worth of every variable.

$$Z = \frac{\text{Value-Mean}}{\text{Standard Deviation}} \quad (3.6)$$

Once the standardization is done, all the variables will be transformed to the same scale/unit.



### **3.7 Econometric Technique**

The information got dissected utilizing (STATA) to get the recurrence disseminations of the businesses. The descriptive insights of the variables just as the Ordinary Least Square (OLS) multiple regression analysis was completed to survey the relative prescient force of the autonomous variables for example age of businesses, sort of businesses, audit activity and recurrence of return on the dependent variable for example tax compliance.

## CHAPTER 4

### EMPIRICAL RESULTS AND DISCUSSION

#### 4.1 Descriptive Analysis

In this chapter we have provided the basic descriptive statistics and then proceeded to estimate the econometric model.

**Table 4.1: Type of Tax**

<b>Variable</b>	<b>Freq.</b>	<b>Percent%</b>	<b>Cum.</b>
<b>FED</b>			
<b>Yes</b>	216	100.00	100.00
<b>Total</b>	216	100.00	

#### **Author's Calculation**

Table 4.1 show that our total respondents are 216 which are paying there FED (Federal Excise Duty) tax at 100%.

**Table 4.2: Mode of Paying Taxes**

<b>Variable</b>	<b>Freq.</b>	<b>Percent%</b>	<b>Cum.</b>
<b>Online System</b>			
<b>No</b>	171	79.19	79.19
<b>Yes</b>	45	20.83	100.00
<b>Total</b>	216	100.00	

#### **Author's Calculation**

Table 4.2 shows that out of total respondents (216) 20.83% respondents are using online system to comply with their tax obligations, while on the other hand 79.19% people are not using internet for tax obligations due to their lack of knowledge and complicated tax system.

**Table 4.3: Understanding of Tax System**

<b>Variable</b>	<b>Freq.</b>	<b>Percent%</b>	<b>Cum.</b>
<b>Tax system Understandable</b>			
<b>Never</b>	116	53.70	53.70
<b>Rarely</b>	79	36.57	90.28
<b>Usually</b>	17	7.87	98.15
<b>Always</b>	4	1.85	1.00
<b>Total</b>	216	100.00	

**Author's Calculation**

Table 4.3 shows the responses of the businesses about the understanding of the tax system. Our total sample is 216 through which 53.70% respondents respond that our tax system never be understandable for them due to its complication documentation, while 36.57% respondents respond that they rarely understand the tax system. Moreover, 7.87% respondents usually understand the tax system for their tax obligations. In addition, there are only 1.85% individuals who can understand the full tax system to comply with their tax obligations.

**Table 4.4: Frequency of Tax payment**

<b>Variable</b>	<b>Freq.</b>	<b>Percent%</b>	<b>Cum.</b>
<b>Frequency of tax payment (Annual)</b>			
<b>No</b>	2	0.93	0.93
<b>Yes</b>	214	99.07	100.00
<b>Total</b>	216	100.00	

**Author's Calculation**

Table 4.4 shows the frequency of tax payment which means that how times a business pay its tax during one year. In response to our survey 99.07% respondents said that they are paying their taxes on annual basis while 0.93% respondents out of 216 pay their taxes more than one time in a year i.e. bi-annual.

**Table 4.5: Penalty for Not Compiling with Taxes**

<b>Variable</b>	<b>Freq.</b>	<b>Percent%</b>	<b>Cum.</b>
<b>Penalty</b>			
<b>Yes</b>	47	21.76	21.76
<b>No</b>	0	0.93	22.69
<b>Missing Value</b>	167	77.31	100.00
<b>Total</b>	216	100.00	

**Author's Calculation**

Table 4.5 shows the respondents who are being penalized for not making due payments/returns on time. Our results from the survey show that 21.76% out of 216 respondents were penalized due to their late payments and returns. In addition, 0.93% respondents told that they are not penalized because they have to pay their payments and returns on time. Furthermore, 77.31% respondents did not response on this question because most of them did knew about these payments because they had their external or consultants who were performing these responsibilities for them because the respondents have less knowledge about the tax system and the requirements.

**Table 4.6: Information about Registration Information**

<b>Variable</b>	<b>Freq.</b>	<b>Percent%</b>	<b>Cum.</b>
<b>Registration Information</b>			
<b>Yes</b>	216	100.00	100.00
<b>Total</b>	216	100.00	

**Author's Calculation**

Table 4.6 shows the activities of the external adviser/consultant which they performed for the taxpayers. According to the responses of the respondents almost every respondent 100% out of 216 was getting the registration from his/her consultant/lawyer to fulfill their tax obligations on time. So that they are bearing high compliance cost due to externals.

**Table 4.7: Returns and Payments about Taxes**

<b>Variable</b>	<b>Freq.</b>	<b>Percent%</b>	<b>Cum.</b>
<b>Returns and Payments</b>			
<b>Yes</b>	210	97.22	97.22
<b>No</b>	6	2.78	100.00
<b>Total</b>	216	100.00	

**Author's Calculation**

Table 4.7 shows the activities of the external adviser/consultant which they performed for the taxpayers. Returns and payments is also an activity performed by the external advisors. The responses from the survey show that 97.22% taxpayers of the businesses were getting these activities from the externals while 2.78% respondents were performing these activities by themselves.

**Table 4.8: Audit Action**

<b>Variable</b>	<b>Freq.</b>	<b>Percent%</b>	<b>Cum.</b>
<b>Audit Support</b>			
<b>No</b>	210	97.22	97.22
<b>Yes</b>	6	2.78	100.00
<b>Total</b>	216	100.00	

**Author's Calculation**

Table 4.8 also shows one of the activities of the external adviser/consultant which they performed for the businesses to comply their tax obligations. The table shows that 97.22% respondents were not getting the facility of audit from their external advisors while there are some big and well established businesses that need the audit. So, 2.78% respondents old that they got help in their business audit from their external advisors i.e. lawyers or any third party.

**Table 4.9: Appeals against Penalties**

<b>Variable</b>	<b>Freq.</b>	<b>Percent%</b>	<b>Cum.</b>
<b>Appeals</b>			
<b>No</b>	189	87.50	87.50
<b>Yes</b>	27	12.50	100.00
<b>Total</b>	216	100.00	

**Author's Calculation**

Table 4.9 shows the appeals of the taxpayers/respondents who were being penalized for not making due payments/returns on time. The appeals for these returns and payments were made by the externals. In our survey we found that 87.50% respondents were not penalized for late payments so they were not getting these services from their externals. On the other hand 12.50% respondents were obtaining these services from their external because they were penalized for their late payments and returns.

**Table 4.10: Factors of Tax Avoidance**

<b>Variable</b>	<b>Freq.</b>	<b>Percent%</b>	<b>Cum.</b>
<b>High Tax Rates</b>			
<b>No</b>	72	33.33	33.33
<b>Yes</b>	144	66.67	100.00
<b>Total</b>	216	100.00	

**Author's Calculation**

Table 4.10 shows the reason of tax avoidance by the taxpayers. Our results from the survey show that there are 66.67% respondents said that more of the people avoid paying taxes because the tax rates are too high which the businesses cannot afford. While 33.33% said that taxpayers are not avoiding paying taxes and tax rates are not so high likewise.

**Table 4.11: Factors of Tax Avoidance**

<b>Variable</b>	<b>Freq.</b>	<b>Percent%</b>	<b>Cum.</b>
<b>Getting Caught is Low</b>			
<b>No</b>	131	60.65	60.65
<b>Yes</b>	85	39.35	100.00
<b>Total</b>	216	100.00	

**Author's Calculation**

Table 4.11 shows that people avoid paying taxes because according to them there is a less chance of being caught by the tax authorities. Our results shows that 60.65% individuals said that people do not pay taxes because they think that getting caught is very low. Meanwhile, 39.35% people respond that people do not avoid paying taxes because they think that getting caught is not very low.

**Table 4.12: Factors of Tax Avoidance**

<b>Variable</b>	<b>Freq.</b>	<b>Percent%</b>	<b>Cum.</b>
<b>Political Opinion</b>			
<b>No</b>	118	54.63	54.63
<b>Yes</b>	61	28.24	82.87
<b>Missing Value</b>	37	17.13	100.00
<b>Total</b>	216	100.00	

**Author's Calculation**

Table 4.12 shows that political opinion of the business individuals related to the tax paying system. According to our survey information it is found that 28.24% people said that the big businesses use their political relations to avoid paying taxes and pay less to the tax authorizes. While 54.63% people said that people do not use their political relations to avoid paying taxes. Therefore, 17.13% did not provide any response against this question.

**Table 4.13: Factors of Tax Avoidance**

<b>Variable</b>	<b>Freq.</b>	<b>Percent%</b>	<b>Cum.</b>
<b>No Incentives</b>			
<b>No</b>	104	48.15	48.15
<b>Yes</b>	100	46.30	94.44
<b>Missing Value</b>	12	5.56	100.00
<b>Total</b>	216	100.00	

**Author's Calculation**

Table 4.13 shows that government or tax authorities provide any incentive to the taxpayers. Our findings show that 48.15% respondents said that the government or tax authorities do not give any incentives to the people. While 46.30% people said that government provide incentives to the businesses in the form of payment and returns time relaxation etc. In addition, 5.56% respondents did not provide any response on this question.

**Table 4.14: Factors of Tax Avoidance**

<b>Variable</b>	<b>Freq.</b>	<b>Percent%</b>	<b>Cum.</b>
<b>Complicated Tax</b>			
<b>No</b>	95	43.98	43.98
<b>Yes</b>	115	53.24	97.22
<b>Missing Value</b>	6	2.78	100.00
<b>Total</b>	216	100.00	

**Author's Calculation**

Table 4.14 shows the people's point of view on tax complications. In the survey 43.98% respondents said that tax system is not seems to be more complicated because in this regard they were using the services of their externals and they did not have enough knowledge about the tax system and its legal documentation. Furthermore, 53.24% respondents said that the tax system is very difficult and is not easy to understand. Moreover, 2.78% respondents did not provide the answer of this question because of their less knowledge and less information.



**Table 4.15: Factors of Tax Avoidance**

<b>Variable</b>	<b>Freq.</b>	<b>Percent%</b>	<b>Cum.</b>
<b>Corruption</b>			
<b>No</b>	63	29.17	29.17
<b>Yes</b>	144	66.67	95.83
<b>Missing Value</b>		4.17	100.00
<b>Total</b>	216	100.00	

**Author's Calculation**

Table 4.15 shows that corruption is also a major of avoid paying taxes. According to the results 29.17% people said that corruption is not a major issue. While 66.67% people said that corruption is the major reason of avoid paying taxes. Moreover, 4.17% people did not respond this question.

## 4.2 Cross Tabulation

The given tables show the crosscheck of different variables which shows the significant results.

**Table 4.2.1: Cross Tabulation of FED and Penalty**

<b>FED</b>	<b>Penalty</b>			<b>Total</b>
	<b>No</b>	<b>Yes</b>	<b>Missing Value</b>	
<b>Yes</b>	2	47	167	216
<b>Total</b>	2	47	167	216

### **Author's Calculation**

Table 4.2.1 shows the cross tabulation of the independent variables such as Federal Excise Duty (FED) and the penalty of the taxpayers. The table shows that if all the taxpayers pay their taxes, complete the legal documentation, in result they will not be penalized. It shows that there is a positive and significant result between fed and penalty of the taxpayers.

**Table 4.2.2: Cross Tabulation of Illiteracy and Complicated Tax System**

<b>Illiteracy</b>	<b>Complicated system</b>			<b>Total</b>
	<b>No</b>	<b>Yes</b>	<b>Missing Value</b>	
<b>No</b>	20	57	3	80
<b>Yes</b>	32	85	9	126
<b>Missing Value</b>	1	8	1	10
<b>Total</b>	53	150	13	216

### **Author's Calculation**

Table 4.2.2 shows the cross tabulation of the independent variables such as complicated taxation system with the illiteracy of the taxpayers. The table shows that most of the respondents respond that illiteracy is the major cause of tax paying avoidance. The individuals are unable to understand the complicated tax system and they were unable to complete the legal documentation by themselves. The table shows that 80 respondents respond against the question regarding illiteracy that it is not the major cause

of tax avoidance while 126 out of 216 responses respond that illiteracy is the major cause of paying tax avoidance and there were also some missing values which were not responded by the respondents. On the other hand, 53 respondents responded that tax system is not so much complicated and 150 responds were that tax system is very complicated and 13 respondents did not provide any response to the question. The above table shows that illiteracy and the complicated taxation system is the major cause of tax avoidance in Pakistan. Due to which the businesses were facing the problem of high cost of compliance.

**Table 4.2.3: Cross Tabulation of Type of Businesses and Corruption**

<b>Type of Business</b>	<b>Corruption</b>			<b>Total</b>
	<b>No</b>	<b>Yes</b>	<b>Missing Value</b>	
<b>No</b>	51	87	8	146
<b>Yes</b>	11	56	1	68
<b>Otherwise</b>	1	1	0	2
<b>Total</b>	63	144	9	216

**Author's Calculation**

Table 4.2.3 shows the cross tabulation of the independent variables i.e. corruption with the type of businesses. There were some well-established businesses that were paying more tax in comparison of less/newly established or small scale businesses. In addition, the well established businesses were facing high compliance cost rather than the small level businesses. They pay more to their consultants. The table 19 shows that 146 businesses respond that there were less corruption in paying taxes while 68 respondents respond that the well established businesses do corruption while paying their taxes. On the other hand, there were 144 respondents respond that corruption is the major cause of avoid paying taxes because the larger level businesses used their contacts and references and do corruption when the pay their taxes. Overall, the table shows that type of business and corruption has a significant relationship which caused high cost of compliance.

**Table 4.2.4: Cross Tabulation of Compliance Cost and Age of Business**

<b>Compliance Cost</b>	<b>Age of Business</b>				<b>Total</b>
	3	4	5	6	
0-10000	6	20	34	58	118
10001-20000	5	5	15	30	55
20001-30000	1	1	5	18	25
30001-40000	0	1	2	6	9
40001-50000	0	0	2	2	4
50001-60000	0	0	1	2	3
60001-70000	0	0	0	1	1
70001-80000	0	0	0	1	1
<b>Total</b>	12	27	59	118	216

**Author's Calculation**

Table 4.2.4 shows the cross tabulation of the compliance cost and age of business. The table shows that 55% of the businesses are paying the less compliance cost between 0-10000 PKR because they have higher age of establishment as compare to others. Moreover, 25% businesses that are paying the compliance cost between 10001-20000 PKR and 12% of the businesses are paying the compliance cost between 20001-30000 PKR. In addition, the rest are paying the compliance cost between 30001-80000 PKR.

**Table 4.2.5: Cross Tabulation of Compliance Cost and Audit Action**

<b>Compliance Cost</b>	<b>Audit Action</b>		<b>Total</b>
	0	1	
0-10000	109	9	118
10001-20000	51	4	55
20001-30000	23	2	25
30001-40000	8	1	9
40001-50000	4	0	4
50001-60000	3	0	3
60001-70000	0	1	1
70001-80000	0	1	1
<b>Total</b>	198	18	216

**Author's Calculation**

Table 4.2.5 shows the cross tabulation of the compliance cost and audit action. The table shows that 55% of the businesses who are facing the audit action and are paying the compliance cost between 0-10000 PKR. Moreover, 25% businesses that are paying the compliance cost between 10001-20000 PKR are also facing the audit action during a year and 12% of the businesses that face the audit action are paying the compliance cost between 20001-30000 PKR. In addition, the rest are paying the compliance cost between 30001-80000 PKR. In addition, the table shows that there are very fewer businesses have audit action. So the people pay less compliance cost where there are lesser chances of audit. Hence the audit action is not working well in case of Pakistan.

**Table 4.2.6: Cross Tabulation of Compliance Cost and Business Size**

<b>Compliance Cost</b>	<b>Business Size</b>		<b>Total</b>
	<b>Smaller</b>	<b>Bigger</b>	
0-10000	26	92	118
10001-20000	9	46	55
20001-30000	1	24	25
30001-40000	1	8	9
40001-50000	0	4	4
50001-60000	0	3	3
60001-70000	0	1	1
70001-80000	0	1	1
<b>Total</b>	<b>37</b>	<b>179</b>	<b>216</b>

**Author's Calculation**

Table 4.2.6 shows the cross tabulation of the compliance cost and business size. The table shows that the businesses that are bigger in size pay higher cost of compliance as compare to small level businesses. There are 55% of the businesses that pay compliance cost between 0-10000 PKR. There is also a business that pays 80000 PKR as a cost of compliance. The rest are paying the cost of compliance according to their business sizes.

**Table 4.2.7: Cross Tabulation of Compliance Cost and Tax Refund**

<b>Compliance Cost</b>	<b>Tax Refund</b>	
	0	<b>Total</b>
0-10000	118	118
10001-20000	55	55
20001-30000	25	25
30001-40000	9	9
40001-50000	4	4
50001-60000	3	3
60001-70000	1	1
70001-80000	1	1
<b>Total</b>	216	216

**Author’s Calculation**

Table 4.2.7 shows the cross tabulation of the compliance cost and tax refund. The table shows that tax refund has a direct relationship with compliance cost. There are 55% of the businesses that are paying compliance cost between 0-10000 PKR because those businesses are paying their taxes on bi-annual basis. There is also a business that pays 80000 PKR as a cost of compliance. The rest are paying the cost of compliance according to their frequency of tax refunding. The tax compliance cost can be reduced by shifting the tax refund system to the e-filing system.

**Table 4.2.8: Cross Tabulation of Compliance Cost and Relief from FBR**

<b>Compliance Cost</b>	<b>Relief from FBR</b>		<b>Total</b>
	0	1	
0-10000	117	1	118
10001-20000	50	5	55
20001-30000	15	10	25
30001-40000	9	0	9
40001-50000	4	0	4
50001-60000	0	3	3
60001-70000	1	0	1
70001-80000	1	0	1
<b>Total</b>	197	19	216

### Author's Calculation

Table 4.2.8 shows the cross tabulation of the compliance cost and relief from taxation authority i.e. FBR. The table shows that businesses are paying higher cost of compliance because they are not getting any relief from FBR. There are 55% of the businesses that are paying compliance cost between 0-10000 PKR. There is also a business that pays 80000 PKR as a cost of compliance. The rest are paying the cost of compliance according to their business sizes. The businesses are paying such cost because according to the government authorities are not providing any kind of relief to them.

**Table 4.2.9: Cross Tabulation of Compliance Cost and Complicated Tax System**

Compliance Cost	Complicated system			Total
	0	1	9999	
0-10000	19	94	5	118
10001-20000	18	32	5	55
20001-30000	9	13	3	25
30001-40000	3	6	0	9
40001-50000	1	3	0	4
50001-60000	2	1	0	3
60001-70000	0	1	0	1
70001-80000	1	0	0	1
<b>Total</b>	53	150	13	234

### Author's Calculation

Table 4.2.9 shows the cross tabulation of the complicated taxation system with compliance cost. The table shows that complexity of the taxation system has a direct relationship with compliance cost. There are 55% of the businesses that are paying compliance cost between 0-10000 PKR. There is also a business that pays 80000 PKR as a cost of compliance. The rest are paying the cost of compliance according to their business sizes. The businesses are paying such cost because of the complex taxation system. A simple tax system would automatically decrease the compliance cost.<sup>1</sup>

<sup>1</sup> Here 9999 Shows the Missing Values.

**Table 4.2.10: Sample Descriptive**

<b>Variable</b>	<b>Obs</b>	<b>Mean</b>	<b>Std. Dev.</b>	<b>Min</b>	<b>Max</b>
<b>Age of Business</b>	216	5.310185	.8949928	3	6
<b>Whole Seller</b>	216	.3333333	.4917931	0	2
<b>Audit Action</b>	216	.0833333	.2770274	0	1
<b>Frequency of Return</b>	216	.9907407	.096001	0	1



### 4.3 Collinearity Test

**Table 4.3 Collinearity Statistics**

Model		Coefficients <sup>a</sup>					Collinearity Statistics	
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Tolerance	VIF
		B	Std. Error	Beta				
1	(Constant)	.003	.063		.046	.964		
	AOBS	.102	.066	.102	1.544	.124	.915	1.093
	TOBS	.307	.068	.307	4.533	.000	.879	1.138
	AAS	.108	.064	.109	1.686	.093	.969	1.032
	FORS	-.047	.064	-.047	-.735	.463	.979	1.022

a. Dependent Variable: CC

The collinearity test has been run in SPSS. The results shows there is no multi collinearity exist between independent variables.

### 4.4 Estimation Results and Discussion

This section provides the results of regression analysis. To accomplish the aims of this thesis, different factors of compliance cost was used and these factors are discussed in detail in Table 4.3. To recall in this thesis compliance cost is measured by fee of consultant, total time spent by individuals and associated personal cost. While on the other hand, age of businesses, type of businesses, audit action and frequency of return are taken as determinants of compliance cost.

**Table 4.3.1: Results of Ordinary Least Square (OLS) Regression**

<b>Dependent Variable: Compliance Cost</b>				
	<b>Coefficient</b>	<b>Standard Error</b>	<b>T Values</b>	<b>Prob of Significance</b>
<b>AOB</b>	.1145	.0676	1.69	0.092
<b>WS</b>	.2793	.0743	3.75	0.000
<b>AA</b>	.1097	.0643	1.71	0.089
<b>FOR</b>	-.02786	0.674	-0.41	0.68
<b>Number of Observation = 216</b>				
F (5,210) = 7.70 Prob > F = 0.0000				
R – Squared = 0.155				
Adj R – Squared = 0.1348				
Root MSE = 0.9301				

The above table shows that the outcomes of the regression. It appears that all the variables are positively influencing the compliance cost of businesses expect the frequency of returns which is insignificance though.

**Age of Businesses**

In this analysis age of business is measured in completed years. The more settled businesses cause, the higher inside tax correlation expenses contrasted and the more youthful businesses. If we look at the coefficient value and sign of age of business variable, it shows that one unit change in age of business increased the compliance cost by .1145 units. This is because of the greater degree of tax intricacy contrasted and the less youthful businesses and affirmed the discoveries. Further, coefficient of age of business is significant at the level of 5 percent significance. This can be observed in studies that age of businesses increases both tax and non-tax compliance costs. Subsequently, the examination expects that business age impacts emphatically on tax compliance costs. There is an immediate connection between the age of a business and compliance cost. New businesses will in general produce little or low turnover with simple business structures. As businesses become more effective over the long run and

their turnover develop, proprietors will in general support more intricate business structures, especially fuse, to limit hazard and tax.

### **Type of Businesses**

The coefficient value of this variable whole seller (WS) indicates that compliance cost increased by .217 units if the type of businesses is whole sellers. In addition, this factor significantly influencing the compliance cost at 1 percent level of significance. The area where an independent company works is anything but a huge determinant of outside tax compliance costs. However, a study tracked down that a few areas like Fashion and excellence, administrations and managing in the merchandise areas had lower taxes compliance costs than others. One of the study also found that the service sectors maintained higher tax compliance costs than the other sector. Hence, the study assumes that sector influences tax compliance costs.

### **Audit Action**

Compliance cost and audit play a critical role they assume altogether different roles. While audit might monitor what the organization is doing. The more settled organizations bring about more audits by the tax authority as contrast with less established businesses. This is because of the greater degree of tax complexity contrasted and the less established businesses. Findings of this study confirmed that, there is a positive connection between the audit action of a business and compliance cost. And audit action effect the compliance cost significantly at 10 percent level of significance. Moreover, the beta value exposed that compliance cost is increased by .1097 units if the audit action increased by one unit.

Audit activity and tax compliance of a business has a positive and huge outcome. A study found that as the size of the business expands, the audit activity by tax authority additionally increment and unquestionably the outside tax compliance costs likewise increment as well. As the turnover of any business increases its income, also increases and the business pay more taxes to the government authority. Therefore, the tax authority took action more than one time in a year due to which the businesses pay more taxes and its compliance cost increases.

## **Frequency of Return**

Frequency of return means that how many times a business file a return against taxation.(John Hudson\* 2000) Found that frequency of return is a significant factor in determining compliance costs. A well-established business pay more taxes in contrast of a newly started business. When a business pay taxes more than one time its frequency of return increases according to its age, size, type and turnover. Moreover, study found that there is a positive connection between recurrence of return and compliance cost of businesses.(John Hudson\* 2000) Found that frequency of return to be a significant factor in determining compliance costs. If the frequency of return increases the process of file returning has to be repeated again and again. Ultimately the compliance cost increases. However, unfortunately, the analysis of this thesis contradicts this perception and found a negative association between the frequency of returns and compliance cost. It shows that if frequency of returns increased by one unit the compliance cost decreased by 0.027 units. In addition, only this factor effect the compliance cost insignificantly.

The area where an independent venture works is anything but a critical determinant of outer tax compliance cost. However, an investigation tracked down that a few areas like Fashion and excellence, administrations and managing in the merchandise areas had lower taxes compliance costs than others.

A study also found that the service sectors maintained higher tax compliance costs than the other sector. Hence, the study assumes that sector influences tax compliance costs. Moreover, they concluded that type of business and compliance cost has a positive relationship. As we have taken retailers and whole sellers as businesses type we have found that such businesses who work as retailer have less compliance cost while on the other hand a whole seller business have more cost of compliance and also a business who works as a whole seller and retailer as well have high cost of compliance because they pay high taxes according to their business type and size.

## 4.5 Discussion

There are several reasons of tax avoidance found during the survey of this study. People avoid paying taxes due to lack of knowledge about tax system. There is a lack of education in Pakistan. The individuals don't want to pay taxes because they do not know much about it. Furthermore, tax system is very complex and is not easy to understand. There are a lot of requirements has to meet when it comes to pay taxes. These factors are interrelated with each other. If there is a lack of knowledge and tax is complex one would like to hire a legal person who can pay taxes on behalf of him. It creates a reason for higher tax compliance cost.

Moreover, tax authorities should make rules clearer and ambiguities free. Documentation process shouldn't be complex while it should be easy to understand. Common people can comprehend and meet requirements easily. Moreover, authorities should educate people about the process of taxation. They should improve information at tax windows so that the tax payers can get the information easily and they can also meet the legal formalities easily. Simplifying the invoicing procedure can also be a solution for this issue and reduction or elimination of requirements will also be helpful.

However, there are also tax payers who pay taxes but never got incentives for that from the government and the tax authorities and it discourages them. Tax authorities are often unfair towards them. Poverty is also a major cause of tax evasion. Inflation cause different problems in the society it also become a reason for tax evasion. When a person has to do expenditures on livelihood, education and health while he having not a sufficient income. They avoid paying taxes and willing to spend it on other necessities of life. Furthermore, corruption is also a major reason for tax compliance cost. People pay fees to the legal advisers for paying less taxes and saving money. Government should provide them with free consultancy services. Different measures for appreciation of tax payers should be taken. Penalties and fine should be minimized by tax authorities as people will pay their taxes properly.

## **4.6 Robustness Analysis**

In our study to validate the results with sub-samples we have done robust analysis. In this analysis first we have run a regression with 100 observations, after with 150 observations and later, with 200 observations. Our results are robust as coefficients signs are the same and as the number of observations increase the significant. The results are in the appendix names as (Appendix II: Robustness Analysis).

## CHAPTER 5

### CONCLUSION AND POLICY RECOMMENDATION

#### 5.1 Conclusion

Compliance cost is characterized as that load of costs brought about by taxpayers or by externals in following the requirement of the tax system, well beyond the tax payments themselves. Tax compliance cost is brought about by taxpayers or by arbitrators in adjusting to the basics of the tax authorities, far beyond the tax payments themselves. Tax have a gigantic huge effect in the financial advancement of the nation as it engages the public position or government to accomplish its objectives like assurance, schooling/instruction, value and social government assistance help to its tenants. The significance of taxes in countries like Pakistan is enormous as in abundance of by far most of the revenue generated is through tax collection. This study will help to estimate the true economic cost of compliance which can be used for future tax strategy plan or policy designs.

Tax compliance has been a significant subject of exploration in countless developed and developing nations. Since each country has its own way to deal with manage tax compliance levels and each has distinctive tax laws and guidelines, the components influencing tax compliance conduct appear to change among changed countries. Factors affecting tax compliance can be seen from different studies i.e. economics specialists and strategy examiners have concentrated on tax compliance hypothetically and exactly.

Taxes are essential to businesses or organizations because governments can reinvest this revenue in the economy as credits or different types of financing, arrangement of public goods and services. At the point when governments raise his funds through tax collection, they infuse it into business advancement. Resultantly, it invigorates economic movement over the nation eventually prompting monetary turn of events and development. This study searches taxpayers view on their tax compliance cost

for organizations/firms, investigate the tax obstruction measures, and tax knowledge and furthermore study the tax compliance behavior of the businesses in Pakistan.

From the survey and interviews with the Small and medium businesses, taxpayers seemed to have lack of information and knowledge on the tax compliance cost and have less knowledge about the tax assessment system. This issue was even basic among the businesses and individuals, who are relied upon to manage cumbersome tax matters, like FED (Federal Excise Duty Tax) and so on. In managing these tax affairs, they might need to produce more compliance costs.

To accomplish the objectives of this study questionnaire based primary data are collected from the businesses of Faisalabad for example book depo, stationary shops, restaurants, garments shops, versatile market and many others. In order to collect information from the respondents, a structures questionnaire was developed and used. Simple Random Sampling method was used to collect the data based on their business sizes and types of their businesses. Simple random sampling is a sample if individuals that exist in a population are selected at random, without any set rule or formula. For the econometric analysis the simple linear model was estimated by using STATA package.

The information got from the study were broke down utilizing Statistical Package for Social Sciences (STATA) to acquire the recurrence distributions of the businesses. The descriptive measurements of the variables just as the Ordinary Least Square (OLS) multiple regression analysis was done to survey the relative prescient force of the free variables for example age of businesses, sort of businesses, audit activity and recurrence of return on the dependent variable for example tax compliance. Results show that age of businesses, type of businesses, audit action and frequency of return significant positive relation with compliance cost of the businesses.

Tax compliance costs writing shows that tax compliance costs can be huge and backward, yet the connection between tax compliance costs and other variables show a positive relationship. An endeavor has been made in this investigation to introduce an analysis of the impacts of age of businesses, kind of businesses, audit activity and recurrence of return on tax compliance cost among the little and medium businesses in Pakistan. The findings of the study show that age of businesses has a higher tendency to



promote tax compliance cost. Because a well-established business over the time have to more taxes and they have to face more complexity in taxation.

Moreover, the type of businesses also has a positive effect on cost of compliance as in our study we have discussed retailers and whole sellers as a business type or size of business. These types of business also have a significant result with cost of compliance because both individuals have to pay taxes according to their business type. A study showed that outer tax compliance costs increment as the size and type of a business dependent on turnover increments. Furthermore, audit action also has a positive effect on compliance cost because when the turnover of a business increases the tax of the business also increases and the tax authority take more audit actions against that business due to which the compliance cost of that business increases. Meanwhile same goes for frequency of returns which also have a significant relation with cost of compliance, because as the frequency of filing return increases the tax compliance cost also increases and the businesses avoid paying their taxes in a genuine way to fulfill the requirements.

In conclusion, All in all, the consequences of this investigation have significant ramifications for the writing on tax compliance cost of the businesses. There are many reasons of the compliance cost of the business i.e. tax knowledge, complex tax system, unfair tax system, corruption in the taxation and many others. The people do not want to pay taxes as per their business age, business type, and their frequency of turnover. This study proves that due to such type of reasons individuals' generate more compliance cost and pay more to the externals. Based on these results we suggest that tax authorities should make the tax system easy to understand and provide facilities to the tax payers so that they will avoid the compliance behavior and resultantly government can collect more taxes and generate more money through easy tax system and tax policies.

## 5.2 Policy Recommendations

Keeping in view the purpose and findings of the research, the following policy recommendations are offered:

- The businesses or individuals in the study area are facing the issue of high cost of compliance so the concerned authorities need to take prompt steps towards the simplifying taxation system especially the return filing.
- The main reasons of the tax compliance cost were, tax system was not easy to understand for the business owners because of their less tax knowledge, they consider that tax authorities are not reliable and tax authorities do not give any relief to the tax payers.
- Tax laws and strategies ought to be improved and easily understandable. The intricacies of the system ought to be eliminated. If necessary the laws and tax proclamations might be made an interpretation into Urdu to make it simple.
- The government and the tax authorities should endeavor to construct great connection with small and medium enterprises/businesses taxpayers in trying to further develop general tax compliance level just as absolute tax income.
- The government and the tax authorities should reduce the documentation. There should be some sessions and there is also need of some programmes and seminars to provide awareness to the tax payers.

### **5.3 Limitations**

Collecting primary data by survey of the businesses was not easy at all. Few of them were not ready to give interview and they were considering that it might be a fraud or may be it is by FBR. They were reluctant because they were thinking maybe it was from government to make a report on them. Specifically sanitary shops, marts, export companies were avoiding to provide any sort of information. We were unable to do two stage sample selection procedure because of selectivity biased (Selectivity biased is the bias introduced by the selection of individuals, groups, or data for analysis in such a way that proper randomization is not achieved, thereby failing to ensure that the sample obtained is representative of the population intended to be analyzed). Therefore, the second degree randomization was not done for the selection of shops/respondents. This is also one of the limitations of the study. It was very difficult to take their consent and make them comfortable to fill questioner or to give interview.

## REFERENCES

- Alabede, J. O., et al. (2011). "Determinants of tax compliance behaviour: A proposed model for Nigeria." International Research Journal of Finance and Economics **78**(1): 121-136.
- Alm, J., et al. (2010). "Taxpayer information assistance services and tax compliance behavior." Journal of Economic Psychology **31**(4): 577-586.
- Alm, J. and B. Torgler (2011). "Do ethics matter? Tax compliance and morality." Journal of Business Ethics **101**(4): 635-651.
- Alon, A. and A. M. Hageman (2013). "The impact of corruption on firm tax compliance in transition economies: Whom do you trust?" Journal of Business Ethics **116**(3): 479-494.
- Alshira'h, A. F. and H. Abdul-Jabbar (2020). "Moderating role of patriotism on sales tax compliance among Jordanian SMEs." International Journal of Islamic and Middle Eastern Finance and Management.
- Awan, A. G. and A. Hannan (2014). "The Determinants of tax evasion in Pakistan: a case-study of Southern Punjab." International Journal of Development and Economic Sustainability **2**(4): 50-69.
- Bank, W. (2007). Doing business 2008, The World Bank.
- Blažić, H. (2004). Tax compliance costs of small business in Croatia, Institute of Public Finance.
- Blumenthal, M. and J. Slemrod (1992). "The compliance cost of the US individual income tax system: A second look after tax reform." National Tax Journal **45**(2): 185-202.
- Casal, S., et al. (2016). "Tax compliance depends on voice of taxpayers." Journal of Economic Psychology **56**: 141-150.

- Chebusit, C., et al. (2014). "Factors affecting tax compliance among small and medium enterprises in Kitale town Trans-nzoia County, Kenya."
- Christian, R. C. and J. Alm (2014). "Empathy, sympathy, and tax compliance." Journal of Economic Psychology **40**: 62-82.
- Cyan, M. R., et al. (2016). "The determinants of tax morale in Pakistan." Journal of Asian Economics **47**: 23-34.
- Cyan, M. R., et al. (2016). "The Effects of Media Campaigns on Individual Attitudes towards Tax Compliance; Quasi-Experimental evidence from survey data in Pakistan."
- Eichfelder, S. and F. Hechtner (2018). "Tax compliance costs: Cost burden and cost reliability." Public Finance Review **46**(5): 764-792.
- Eichfelder, S. and M. Schorn (2012). "Tax compliance costs: A business-administration perspective." FinanzArchiv/Public Finance Analysis: 191-230.
- Faizal, S. M., et al. (2017). "Perception on justice, trust and tax compliance behavior in Malaysia." Kasetsart Journal of Social Sciences **38**(3): 226-232.
- Guyton, J. L., et al. (2005). "The effects of tax software and paid preparers on compliance costs." National Tax Journal **58**(3): 439-448.
- Hudson, J. and M. Godwin (2000). "The compliance costs of collecting direct tax in the UK:: An analysis of PAYE and National Insurance." Journal of Public Economics **77**(1): 29-44.
- John Hudson\*, M. G. (2000). The compliance costs of collecting direct tax in the UK: An analysis of PAYE and National Insurance.
- Kamal, A. (2019). "Tax Evasion in Pakistan: Determinants and Requisite Policy Interventions." European Online Journal of Natural and Social Sciences: Proceedings **8**(1 (s)): pp-185.

- Kamleitner, B., et al. (2012). "Tax compliance of small business owners: A review." International Journal of Entrepreneurial Behavior & Research.
- Khan, W. A. and P. F. Ahmad (2014). "Causes of Tax Evasion in Pakistan: A case study on southern Punjab." International Journal of Accounting and Financial Reporting **4**(2): 273.
- Kirchler, E., et al. (2006). "Shared subjective views, intent to cooperate and tax compliance: Similarities between Australian taxpayers and tax officers." Journal of Economic Psychology **27**(4): 502-517.
- Klepper, S. and D. Nagin (1989). "Tax compliance and perceptions of the risks of detection and criminal prosecution." Law and society review: 209-240.
- Mahangila, D. (2017). "The impact of tax compliance costs on tax compliance behaviour." Journal of Tax Administration **3**(1): 57-81.
- Manual, V. and A. Z. Xin (2016). "Impact of tax knowledge, tax compliance cost, tax deterrent tax measures towards tax compliance behavior: a survey on self-employed taxpayers in West Malaysia." Electronic Journal of Business and Management **1**(1): 56-70.
- Mughal, M. M. (2012). "Reasons of tax avoidance and tax evasion: Reflections from Pakistan." Journal of Economics and Behavioral Studies **4**(4): 217-222.
- Mukhlis, I., et al. (2015). "The role of taxation education on taxation knowledge and its effect on tax fairness as well as tax compliance on handicraft SMEs sectors in Indonesia." international Journal of financial research **6**(4): 161-169.
- Oladipupo, A. O. and U. Obazee (2016). "Tax knowledge, penalties and tax compliance in small and medium scale enterprises in Nigeria." IBusiness **8**(1): 1-9.
- Palil, M. R. and A. F. Mustapha (2011). "The evolution and concept of tax compliance in Asia and Europe." Australian Journal of Basic and Applied Sciences **5**(11): 557-563.

- Palil, M. R. and A. F. Mustapha (2011). "Factors affecting tax compliance behaviour in self assessment system." African journal of business management **5**(33): 12864-12872.
- Puspita, A. F., et al. (2016). "The analysis of individual behaviour of corporate taxpayers' obedience: Tax compliance model (study of hotels in Malang and Batu)." Review of Integrative business and economics research **5**(3): 135-160.
- Riahi-Belkaoui, A. (2004). "Relationship between tax compliance internationally and selected determinants of tax morale." Journal of international accounting, auditing and taxation **13**(2): 135-143.
- Saad, N. (2014). "Tax knowledge, tax complexity and tax compliance: Taxpayers' view." Procedia-Social and Behavioral Sciences **109**: 1069-1075.
- Saqib, S., et al. (2014). "Taxation effects on economic activity in Pakistan." Journal of Finance and Economics **2**(6): 215-219.
- Slemrod, J. and N. Sorum (1984). "The compliance cost of the US individual income tax system." National Tax Journal **37**(4): 461-474.
- Smulders, S., et al. (2017). "Determinants of external tax compliance costs: Evidence from South Africa." South African Journal of Accounting Research **31**(2): 134-150.
- Stafford, T. F. and A. H. Turan (2011). "Online tax payment systems as an emergent aspect of governmental transformation." European Journal of Information Systems **20**(3): 343-357.
- Thuc, N. T. (2013). "A review of factors impacting tax compliance." Open Science Repository Public Administration(open-access): e70081964.
- Torgler, B. and F. Schneider (2005). "Attitudes towards paying taxes in Austria: An empirical analysis." Empirica **32**(2): 231-250.

- Tran-Nam, B., et al. (2000). "Tax compliance costs: Research methodology and empirical evidence from Australia." National Tax Journal **53**(2): 229-252.
- Van Dijke, M. and P. Verboon (2010). "Trust in authorities as a boundary condition to procedural fairness effects on tax compliance." Journal of Economic Psychology **31**(1): 80-91.
- Verboon, P. and S. Goslinga (2009). "The role of fairness in tax compliance." Netherlands Journal of Psychology **65**(4): 136-145.
- Wang, J. and J. Lu (2021). "Religion and corporate tax compliance: evidence from Chinese Taoism and Buddhism." Eurasian Business Review **11**(2).



## APPENDIX

### Appendix I: Questionnaire:

#### Section 1 — General Questions

**Designation:** \_\_\_\_\_

**Industry Name:** \_\_\_\_\_

**Are you Paying Taxes:** \_\_\_\_\_?

1. What is the type of your business? (Check one option only).

	1) Distribution	<input type="checkbox"/>
	2) Whole seller	<input type="checkbox"/>
	3) Retail seller	<input type="checkbox"/>
	4) Other	<input type="checkbox"/>

2. How long have you been operating your business? (Choose one option).

	01) Less than 6 months	<input type="checkbox"/>
	02) Between 6 months and 1 year	<input type="checkbox"/>
	03) 1 – 2 years	<input type="checkbox"/>
	04) 3 – 5 years	<input type="checkbox"/>
	05) 6 – 10 years	<input type="checkbox"/>
	06) More than 10 years	<input type="checkbox"/>

3. What coverage does your business have? If both then mention the share of %.

	1) Local	<input type="checkbox"/>	
	2) Exports	<input type="checkbox"/>	

	3) Both	<input type="checkbox"/>	
--	---------	--------------------------	--

**4. What is your business size in the market? (Check one option only).**

	1) 10%	<input type="checkbox"/>
	2) 20%	<input type="checkbox"/>
	3) 30%	<input type="checkbox"/>

**5. How many employees did your company have at the end of last month (Including family and friends)?**

	1) 1 to 10	<input type="checkbox"/>
	2) 10 to 30	<input type="checkbox"/>
	3) 30 to 50	<input type="checkbox"/>
	4) 50 to 100	<input type="checkbox"/>
	5) 100 to 200	<input type="checkbox"/>
	6) More than 200	<input type="checkbox"/>

**6. To which taxes is your company subject? (Check all options that apply).**

	<b>1) FED (Federal Excise Duty)</b>	<input type="checkbox"/>
	<b>2) GST provincial</b>	<input type="checkbox"/>
	<b>3) Tariffs</b>	<input type="checkbox"/>
	<b>4) Value Added Tax — general regime</b>	<input type="checkbox"/>
	<b>5) Value Added Tax — simplified regime</b>	<input type="checkbox"/>
	<b>6) Corporate Tax — general regime</b>	<input type="checkbox"/>

	7) Corporate Tax — special or simplified regime	<input type="checkbox"/>
--	---	--------------------------

7. Do you use online system to comply with your tax obligations?

	1) Yes	<input type="checkbox"/>
	0) No	<input type="checkbox"/>

8. How do you pay taxes?

	1) NBP	<input type="checkbox"/>
	2) SBP	<input type="checkbox"/>
	3) Bank account	<input type="checkbox"/>

9. Answer the following questions

	1 Never	2 Rarely	3 Sometimes	4 Usually	5 Always
Is the tax system easy to understand?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Does the tax administration have mechanisms that help you pay your taxes?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is the tax administration reliable?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Do you think taxes system can be simplified?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If you think taxes system can be simplified then it can be through					

reduced documentation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If you think taxes system can be simplified then it can be through reduced interaction of tax inspector with businessmen?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Do you use public services used and is there public investment based on revenue collection?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Would you say that other businessmen of your locality comply with tax laws?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Would you say that other businessmen of your country comply with tax laws?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Would you say that other people of your country comply with tax laws?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## SECTION 2 — INTERNAL COSTS FEE FOR PAYING TAXES

**10.** How much, fees of FBR, consultant, travelling, commission etc. does it take to register with the tax registry or to obtain a tax registry number?

1) Fees of FBR (PKR)	
2) Consultancy Fee (PKR)	
3) Travelling Cost (PKR)	

	4) Commission Cost (PKR)	
	5) Other	

**11.** How many times do you have to pay taxes?

- 1) Monthly
- 2) Quarterly
- 3) Bi Annual

**12.** How many times do you have to file a return?

- 1) Monthly
- 2) Quarterly
- 3) Bi Annual
- 4) Annual

**13.** Please consider while filing for returns or taxes how much cost u have to bear each time.

	1) Tax of FBR (PKR)	
	2) Consultancy Fee (PKR)	
	3) Travelling Cost (PKR)	
	4) Commission Cost (PKR)	
	5) Other	
	6) Total	

Tax Refunds and Rebates:

**14.** How much time, fees of FBR, consultant, travelling, commission etc. does it take per year to calculate or pay taxes?

	1) Tax of FBR (PKR)	
	2) Consultancy Fee (PKR)	
	3) Travelling Cost (PKR)	
	4) Commission Cost (PKR)	
	5) Other	

**15.** What method do you use to complete the legal documentation/registration?  
(Check all the valid options).

	01) Physical form	<input type="checkbox"/>
	02) Form loaded on electronic media internet.	<input type="checkbox"/>

**16.** How much time does it take to complete the legal documentation?

	1) Hours	
--	----------	--

**17.** How many times a year do you submit a return and make a payment of the following?

	1) FED Tax(Federal Excise Duty)	
	2) Provincial GST	
	3) Federal GST	
	4) Income taxes	
	5) Customs	

	6) Value Added Tax	
	7) Corporate Tax	
	8) Other	

**18.** During the last 12 months, have you been penalized for not making due payment/return on time?

	1) Yes	<input type="checkbox"/>
	0) No	<input type="checkbox"/>

**19.** How would you qualify the application of penalties for submitting late returns?

	01) They are an important deterrent to late submissions	<input type="checkbox"/>
	02) They do not deter late submissions	<input type="checkbox"/>

#### Guidance for complying with tax obligations

**20.** What means do you use to obtain information about complying with your tax obligations? (Check all applicable options).

	1) FBR leaflets	<input type="checkbox"/>
	2) FBR website	<input type="checkbox"/>
	3) FBR seminars	<input type="checkbox"/>
	4) Notice boards in FBR offices	<input type="checkbox"/>
	5) Newspapers	<input type="checkbox"/>
	6) Radio	<input type="checkbox"/>
	7) Television	<input type="checkbox"/>

	8) E-mail	<input type="checkbox"/>
	9) Tax expert	<input type="checkbox"/>
	10) Friends and family members	<input type="checkbox"/>
	11) Telephone	<input type="checkbox"/>
	12) SMS	<input type="checkbox"/>
	13) Consultant	<input type="checkbox"/>
	14) Other	<input type="checkbox"/>
	15) None	<input type="checkbox"/>

Tax control

**21.** Has the tax authority taken any action against you, Such as penalty, defaulter, etc?

	1) Yes	<input type="checkbox"/>
	0) No	<input type="checkbox"/>

**22.** Which action? (Check all valid actions)

	01) Verification	<input type="checkbox"/>
	02) Audit	<input type="checkbox"/>
	03) Other	<input type="checkbox"/>

**23.** How much time did it take you to comply with the control action?

	01) Hours	
--	-----------	--

**24.** Did you have any external costs (such as fees to an accountant or external adviser)? How much did it cost?



	01) Approximate fee amount PKR	
--	--------------------------------	--

Appeals

**25.** Have you presented any appeal against the TA (Tax Authority) in the last 12 months?

	1) Yes	<input type="checkbox"/>
	0) No	<input type="checkbox"/>

**26.** If your answer was YES, please indicate the method you used to prepare and submit the appeal.

	1) (a) Prepared by the company staff/You	<input type="checkbox"/>
	2) (b) A specialized external adviser prepared it/Consultant	<input type="checkbox"/>

**27.** If the answer to the above question is (a), calculate the time required for preparation and submission.

	1) Hours	
--	----------	--

**28.** If the answer to question 23 is (b), calculate the related cost

	1) External costs (such as fees to an accountant or external adviser)	
--	---	--

**29.** On average, how much time does it take to receive the final conclusion of the appeal?

	1) Less than 1 month	<input type="checkbox"/>
	2) More than 1 month and less than 2 months	<input type="checkbox"/>
	3) More than 2 months and less than 3 months	<input type="checkbox"/>
	4) More than 3 months and less than 4 months	<input type="checkbox"/>

	5) More than 4 months and less than 5 months	<input type="checkbox"/>
	6) More than 5 months	<input type="checkbox"/>

**SECTION 3 EXTERNAL COSTS**

**30.** During the past 12 months, did the company have to pay for the services of an external adviser or assistant (meaning an specialist who works not as company staff but whose expertise support is required)

	1) Yes	<input type="checkbox"/>
	0) No	<input type="checkbox"/>

**31.** If the answer was YES, please specify which process/activity required the external adviser (check all that apply)

	1) Registering information	<input type="checkbox"/>
	2) Returns and payments	<input type="checkbox"/>
	3) Audit support	<input type="checkbox"/>
	4) Appeals	<input type="checkbox"/>
	5) Tax refunds	<input type="checkbox"/>
	6) Tax advice	<input type="checkbox"/>

**32.** How much did you pay to these professionals in PKR per year to comply with your tax obligations?

		External accounting adviser	External legal adviser
--	--	-----------------------------------	------------------------------

	1) Less than 1,00000	<input type="checkbox"/>	<input type="checkbox"/>
	2) From 1,00000 to 2,00000	<input type="checkbox"/>	<input type="checkbox"/>
	3) From 2,00000 to 10,00000	<input type="checkbox"/>	<input type="checkbox"/>
	4) From 10,00000 to 20,00000	<input type="checkbox"/>	<input type="checkbox"/>
	5) More than 20,00000	<input type="checkbox"/>	<input type="checkbox"/>

**33.** Which activities have external advisers performed? (Check all that apply)

		External accounting adviser	External legal adviser
	1) Registering information	<input type="checkbox"/>	<input type="checkbox"/>
	2) Returns and payments	<input type="checkbox"/>	<input type="checkbox"/>
	3) Audit support	<input type="checkbox"/>	<input type="checkbox"/>
	4) Appeals	<input type="checkbox"/>	<input type="checkbox"/>
	5) Tax refunds	<input type="checkbox"/>	<input type="checkbox"/>
	6) Tax advice	<input type="checkbox"/>	<input type="checkbox"/>

**SECTION 4 FINAL QUESTIONS**

**34.** The time devoted to the described activities is valuable. What is the approximate value of this time for each category of staff working in your business and devoting time to these activities in PKR?

	Owners/shareholders/directors (per hour)	
	Paid employees (per hour)	
	Unpaid friends and relatives (per hour)	

	FBR official/inspector Favor	
--	------------------------------	--

**35.** During the COVID, were there any problems making these compliance costs unusually high or unusually low (relative to the size of your business)?

	1) Yes	<input type="checkbox"/>
	0) No	<input type="checkbox"/>

**36.** Was there any relief from the FBR on tax rates

	1) Yes	<input type="checkbox"/>
	0) No	<input type="checkbox"/>

**37.** Was there any relief from FBR on timing for returns/payments filing etc.?

	1) Yes	<input type="checkbox"/>
	0) No	<input type="checkbox"/>

**38.** What type of service would you like the FBR to improve or offer in order to help you with tax compliance?

	1) Improve information at the tax windows	<input type="checkbox"/>
	2) Improve information on web page or at call center	<input type="checkbox"/>
	3) Offer/improve training in taxation topics	<input type="checkbox"/>
	4) Include tax advisers	<input type="checkbox"/>
	5) Reduce the frequency of tax returns submission	<input type="checkbox"/>
	6) Reduce or eliminate requirements	<input type="checkbox"/>
	7) Introduce Internet tools and services (such as accounting,	<input type="checkbox"/>

	registering, information updates, etc.)	
	8) Lower fines and penalties	<input type="checkbox"/>
	9) Making tax regulations more predictable	<input type="checkbox"/>
	10) Simplify invoicing procedures	<input type="checkbox"/>
	11) Reducing the interaction of Tax officials and Business	<input type="checkbox"/>
	12) Reducing the number of tax authorities (provincial and FBR etc.)	<input type="checkbox"/>
	13) Other	<input type="checkbox"/>

**39.** We would be grateful if you could make additional suggestions/ recommendations to improve the tax administration's services and assistance to taxpayers

### **Tax Avoidance**

**40.** In your why people avoid paying taxes? Check all that apply.

	1) Tax rates are too high	<input type="checkbox"/>
	2) Tax system is unfair	<input type="checkbox"/>
	3) The probability of getting caught is low	<input type="checkbox"/>
	4) People can't afford to pay	<input type="checkbox"/>
	5) The government imprisons people for their political opinions	<input type="checkbox"/>
	6) Complicated income tax structure	<input type="checkbox"/>
	7) Honest tax payers are not given incentives	<input type="checkbox"/>
	8) Lack of awareness/motivational programmes for paying income/corporate	<input type="checkbox"/>

	tax	
	9) Illiteracy of tax payers	<input type="checkbox"/>
	10) Inefficiency/indiscipline of tax administration department	<input type="checkbox"/>
	11) Corruption in the tax system	<input type="checkbox"/>
	12) The taxation system is complicated, disintegrated, and time-consuming.	<input type="checkbox"/>

**41.** Any other information related to tax avoidance

**42.** Do you claim Tax refund with FBR?

- a. What is refund claim
- b. Did apply for that
- c. What is reason of not claiming refunds?

**43.** Do you export? Yes or No

**44.** As an exporter, do you claim Export rebates or tax refund with FBR?

- a. What is refund claim
- b. Did apply for that
- c. What is reason of not claiming refunds?

**Appendix II: Robustness Analysis:**

<b>CC</b>		<b>AOBS</b>	<b>TOBS</b>	<b>AAS</b>	<b>FORS</b>	<b>_cons</b>
<b>Coef.</b>	<b>100 Obs</b>	.1364126	.380373	.154639	-.0456077	-.2185176
	<b>150 Obs</b>	.1166757	.2887672	.1292596	-.0401306	-.1285707
	<b>200 Obs</b>	.1376725	.29468	.1265825	-.0502594	-.0364164
<b>Std. Err.</b>	<b>100 Obs</b>	.0985819	.1046009	.081394	.0919614	.0963423
	<b>150 Obs</b>	.0736953	.0780459	.0739529	.0855375	.0726506
	<b>200 Obs</b>	.0691603	.0694487	.0658874	.0635611	.065509
<b>t</b>	<b>100 Obs</b>	1.38	2.94	1.90	-0.50	-2.27
	<b>150 Obs</b>	1.58	3.70	1.75	-0.47	-1.77
	<b>200 Obs</b>	1.99	4.24	1.92	-0.79	-0.56
<b>p&gt;[t]</b>	<b>100 Obs</b>	0.170	0.004	0.061	0.621	0.026
	<b>150 Obs</b>	0.116	0.000	0.083	0.640	0.079
	<b>200 Obs</b>	0.048	0.000	0.056	0.430	0.579
<b>95% Conf.</b>	<b>100 Obs</b>	-.0593241	.1003498	-.0069658	-.2281992	-.4098075
	<b>150 Obs</b>	-.0289885	.1345036	-.0169139	-.2092018	-.2721701
	<b>200 Obs</b>	.0012698	.1577085	-.003365	-.175619	-.1656176
<b>Interval</b>	<b>100 Obs</b>	.3321493	.5157248	.3162537	.1369838	-.0272277
	<b>150 Obs</b>	.26234	.4430308	.275433	.1289406	.0150287
	<b>200 Obs</b>	.2740752	.4316515	.25653	.0751002	.0927848