

THE QUALITY OF GOVERNMENT AS A DETERMINANT OF TAX COMPLIANCE BEHAVIOUR: A PROPOSED MODEL FOR BANGLADESH

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Abstract: *Bangladesh, classified by the United Nations (UN) as a Least Developed Country (LDC), largely depends on tax revenue to prepare its national budget. Despite having enormous human and natural resources as well as economic potentials, the country has continued to record one of the lowest tax compliance levels within the South Asian nations. Theoretically, economic factors and other social and behavioural determinants have been discussed to explain the notion of Tax Compliance Behaviour (TCB). However, considering the context of LDCs, the impact of the quality of government (QoG) on TCB has yet to be tested. Furthermore, the inclusion of tax knowledge as a moderator within the tax compliance model might bring more accurate insights into the subject matter. This study proposes a model that includes the QoG, the quality of tax services, economic factors, and tax knowledge as a moderator and incorporate theories from diverse aspects to get an in-depth understanding of the TCB. The proposed model integrates the situational reality of the context as well as the relevant economic, social, and psychological issues to address the compliance behaviour of LDCs, particularly Bangladeshi taxpayers.*

Keywords: *Tax Compliance Behaviour, The Quality of Government, The Quality of Tax Services, Economic Factors, Tax Knowledge.*

Introduction

The financial resources, which a government conducts its different activities with come from tax and non-tax revenues (Slemrod, 2019). Tax is one of the major sources of revenue to facilitate the development of a country (Alm, 2019). This dependency on tax revenue for a nation's well-being is evident in developed and developing nations (Campbell, 2023). Hence, the collection of optimum tax becomes crucial for ensuring economic growth and sustainable development (Boateng et al., 2022). Despite the vitality of taxation for a nation's well-being, the collection of tax revenue largely depends on the willingness of taxpayers to comply with the existing tax laws of a country (Alm, 2019). It is neither seen as an easy task for the tax authorities to collect the optimum amount of tax as some residents tend to dislike paying taxes (Abdul & Wangâ, 2018). While taxpayers not acting in accordance with the provisions of tax laws in place is considered an act of non-compliance (Kirchler, 2007), tax non-compliance is recognized to be the most common and critical problem the tax authorities face (Campbell, 2023; Omane-Antwi & Ndori Queku, 2022). Tax non-compliance is considered a global issue and exists everywhere, including developed, developing and Least Developed Countries (LDC) (OECD, 2018; Chau & Leung, 2009). However, this issue appears to be more acute in developing countries and LDCs as compared to the developed ones (Umar & Masud, 2020; Kira, 2017). Like other LDCs, the tax administration in Bangladesh has also been facing the problem of non-compliance since its establishment (Mannan et al., 2023; Ahmed, 2013). Despite having enormous human and natural resources as well as economic potential, the country has continued to record one of the lowest tax compliance levels among the South Asian nations (OECD, 2018).

In consequence, the country needs to depend on foreign loans and grants to meet its budget deficit. While the country envisions becoming a developed nation by 2041, significant progress in revenue earnings through improving tax compliance behaviour is necessary to reach this landmark. Bangladesh is an emerging economy that largely depends on its tax revenue. *Bangladesh Jatiya Sangsad* (the National Assembly of Bangladesh) had approved a national budget of Bangladeshi Taka (BDT) of 7.62 trillion (USD 71 billion) for the Financial Year (FY) 2023-2024, where tax revenue was estimated to be approximately 56% (Ministry of Finance, 2023). However, it does not represent an ideal condition for a LDC economy like Bangladesh, as the government has to rely on loans from internal and foreign sources to cover the deficit (IRBD, 2018). The collection of tax revenue by the National Board of Revenue (NBR), the tax authority in Bangladesh, does neither stand at a satisfactory level. In FY 2022-2023, only 59% of the targeted revenue was collected (Ministry of Finance, 2023). Consequently, Bangladesh has a poor tax-to-GDP ratio (7.7%), which is the lowest among the South Asian nations (Dhaka Tribune, 2022; ESCAP, 2018). Moreover, the revenue collection and annual growth with respect to income tax reveal a grimmer reality. Bangladesh has a total population of 173 million (Worldmeters, 2023). According to the Bangladesh Bureau of Statistics (BBS), 60.8 million people are employed, which marks 35.62% of the total population (Bangladesh Bureau of Statistics, 2020). However, in FY 2021-22, the total count of tax identification number (TIN) holders, including individual and business entities, was 7.4 million. Out of this sum, 2.8 million were individual income taxpayers, representing only 4.74% of the employed population (Ministry of Finance, 2023; Dhaka Tribune, 2022). In a separate projection, the NBR chief opined that eligible taxpayers in the country would be no less than 40 million (The Daily Star, 2019). This enormous difference between the count of TIN holders and the estimated count of the employed population indicates that a vast count of the working population is not at all included in the country's tax system, which reveals a very narrow tax base of the country (Dhaka Tribune, 2022; ESCAP, 2018). Apart from this, out of the 7.4

million TIN holders (individual and business entities combined), only 2.3 million had submitted their tax return for the same financial year (Ministry of Finance, 2023; Dhaka Tribune, 2022), revealing a compliance rate of only 31.08%. Such low tax compliance has become a significant challenge for the economy of Bangladesh, causing enormous revenue loss to its government (IRBD, 2022).

Moreover, the state of quality of government (QoG) in Bangladesh does not stand at a satisfactory level. Major institutions of governance, including political parties, parliament, and bureaucracy, are not truly effective (Mollah & Hossain, 2014). Widespread corruption and lack of accountability of both government and public officials are common (IRBD, 2022; Halim, 2008). According to the World Bank, the government incurs an estimated 500 million USD in revenue loss each year due to corruption and inefficiency (Hasan et al., 2011). Amid this situation, the current government of the country is working hard to overcome this shortfall by taking major reforms (Ministry of Finance, 2023). However, people's perception towards the QoG is not favorable yet (IRBD, 2022). Many taxpayers are dissatisfied with respect to the services provided by the tax authority of the country (OECD, 2018). The Centre for Policy Dialogue (CPD) released an empirical study on tax compliance reality in Bangladesh, emphasizing the need for more professional conduct of NBR and all its branches (Khan et al., 2019). In response, NBR has incorporated many amendments to their policies and has imposed a strict enforcement strategy for these amendments, while the outcome is yet to be seen. Siddique and Saleheen (2020) opined that the audit system and enforcement mechanism of NBR are still weak, failing to address the non-compliant taxpayers. In that respect, researchers accommodated different moderating variables in their studies on examining the determinants of Tax Compliance Behaviour (TCB) and suggested that utilizing moderating variables in studying TCB might produce more accurate results (Wenzel, 2004; Murphy, 2007; Alabede et al., 2011).

Theoretically, TCB with respect to the LDCs are studied based on a basic tax compliance model, comprised of many different factors that determine the tax compliance behaviour of a given population. Many extensions have also been brought to this model in order to incorporate new factors. However, the perception of the taxpayers regarding the QoG and its impact on their compliance behaviour, as well as the moderating role of tax knowledge among the taxpayers, are yet to be studied. Especially for LDCs that exhibit a poor quality of governance, the relevance of these factors in understanding the TCB cannot be underestimated. Nevertheless, although the quality of tax services (QOTS) and the effects of various economic factors have before been tested for their influence on TCB, due to the lack of empirical research on these in the context of Bangladesh, the inclusion of these factors in this research may produce better understanding for improving tax compliance in Bangladesh. The main objective of this study is to propose a comprehensive tax compliance model for the LDCs, particularly Bangladesh.

This paper consists of a few sections. Initially, the introduction illustrates the overview of tax revenue, its impact on the economy, the problems relating to it, and the objectives of this study. Then, the following section elaborately discusses the existing literature and theories related to tax compliance and the factors that influence the TCB. The subsequent section covers a proposed model of TCB for Bangladesh. Finally, the conclusion, implications and limitations of the study are discussed in the last section.

Literature Review

Due to the enormous importance of tax revenue to the country's economic and development aspects, this issue has attracted the attention of academics and policymakers, and many studies have been conducted to explore the TCB. Relevant literature on the notion of TCB and its determinants and the underpinning theories are discussed in the following sections.

Notion of Tax Compliance

Compliance often refers to a phase in which an entity is obligated to adhere to its prescribed set of rules and regulations. Compliance is a frequently utilized and prevalent concept within the field of tax studies. Tax compliance generally refers to the act of taxpayers which follows the existing tax laws and practices of the country (Tilahun, 2019). According to Okpeyo et al. (2019), tax compliance refers to the voluntary adherence of individuals and other taxable entities to the tax legislation and administration. Taing and Chang (2021), cited from McBarnett (2001), pointed out three distinct stages of tax compliance, namely committed compliance, capitulative compliance, and creative compliance. Committed compliance refers to the voluntary adherence of taxpayers to tax regulations and submitting their tax returns without any enforcement from tax authorities (Taing & Chang, 2021). Capitulative compliance refers to the situation in which taxpayers exhibit a lack of awareness and demonstrate neglect in fulfilling their tax obligations (Güzel et al., 2019). Furthermore, *creative compliance* is when taxpayers adhere to the letter of the laws rather than complying with its spirit, and it involves employing various strategies to minimize tax obligations, such as redefining income and excluding certain expenditures (Slemrod, 2019).

Kirchler (2007) categorized tax compliance as enforced and voluntary compliance. Like committed compliance, voluntary compliance refers to when taxpayers have trust and confidence in tax authority, maintain a good relationship with the tax regime, and comply with tax law without any enforcement (Al-Maghrebi et al., 2022). The optimum target of the tax authority is to ensure voluntary compliance among taxpayers (Taing & Chang, 2021). However, in many cases, there is a lack of trust and cooperation between tax authorities and taxpayers, and a hostile environment prevails (Campbell, 2023; AlMakhzoum & Azam, 2021). In those cases, the tax authority employed enforcement tolls to collect tax from the payers, called enforce compliance. Enforcement can be made by fear of audit and penalty (Kirchler, 2007).

Brown and Mazur (2003) stated three components of measuring the TCB, which was later adopted by other studies (Do et al., 2022; Susuawu et al., 2020). According to Brown and Mazur (2003), three things need to be considered to measure the TCB, including compliance with filing, reporting, and payment. They further elaborated that filing compliance stands for taxpayers' willingness to submit tax returns on time, reporting compliance represents accurate disclosure of income and claim of expenses, and payment compliance indicates the payment of tax amount before the due time. This study adopted the definition and measuring components of TCB from the study of Brown and Mazur (2003). However, tax non-compliance refers to the opposite meaning and practice of compliance (Al-Taffi & Abdul-Jabbar, 2015). Boateng et al. (2022) stated that non-compliance is the failure of taxpayers to fulfil their tax obligation and could be done intentionally and unintentionally. Moreover, Nguyen et al. (2020) opined that the act of tax non-compliance happens when the taxpayer fails to submit the return before the due time and misrepresents the income and allowable expenditure while filing the return. Alabede (2014) classified non-compliance into four forms: failure to submit the tax return, showing less taxable income, extra representation of expenses to get an exemption, and inability to pay at due time.

Factors Influencing Tax Compliance Behaviour

In academia, economic factors have initially been encountered as the determinants of tax compliance. However, researchers argued that economic factors can shape human behaviour toward tax compliance but are not the only determinants, and they incorporated social and psychological factors to illustrate tax compliance behaviour (Campbell, 2023; Augustine et al., 2020; AlMakhzoum et al., 2021). Jackson and Milliron (1986) pioneered a comprehensive approach to understanding the TCB. They presented 14 determinants of TCB, which include age, gender, level of education, income level, occupation, compliant peers, withheld income source, ethics, fairness, complexity, IRS contact, sanction, detection probability, and penalty. Furthermore, they incorporated four theories from diverse disciplines to support the determinants: prospect theory, deterrence theory, agency theory, and cognitive structure theory. Prior studies concerning the TCB identified several factors from diverse aspects. However, considering the dynamic nature of human behaviour and society, some potential determinants of tax compliance still need to be addressed to get a comprehensive idea of the subject matter. Moreover, in the context of tax studies in Bangladesh, due to a lack of empirical research, some previously tested determinants of TCB are still valid to examine to explore the detailed understanding of the TCB (Khan et al., 2019; IRDB, 2018).

The Quality of Government and TCB

The QoG is a vast issue with multi-dimensional aspects. Porcher (2021) opined that the QoG does not have a single index that can cover all of its aspects; instead, focusing on the key dimensions can be helpful to get an overall notion of the QoG. According to Norris (2012), the QoG represents a government's capability to perform all sorts of activities impartially to ensure every citizen's well-being. In addition, the QoG also covers a government's commitment and effective measures to control corruption and the provision of public services without compromising their optimum quality (Charron et al., 2015; Norris, 2012). The QoG is at the focal point of the modern governmental system. Prior research provided evidence that the opposite position of the QoG is nothing but a dysfunctional condition of a state that suffers economic and social problems to a large extent (Oikonomou, 2019; Rothstein & Teorell, 2008). The empirical literature has found that states that suffer from high corruption, weak rule of law, and high level of impartiality are associated with poor economic growth, poorer health, poorer environmental outcomes, greater income inequality, lower levels of happiness, and lower overall subjective well-being (Porcher, 2021; Oikonomou, 2019; Holmberg & Rothstein, 2012). Thus, achieving the QoG is of great interest to all nations. Alabede (2012) examined how governmental services influence taxpayers' compliance decisions. They argued that as citizens support the government by providing finance in the form of tax, they must be concerned about the activities of the government (Alabede, 2012). Thus, government affairs impact taxpayers' compliance decisions either positively or negatively (Abdullahi, 2017; Alabede, 2012).

Lassen (2003) stated that the government and the taxpayers have a vertical contract relationship. The vertical contract concerns taxpayers getting equal or more or less public goods in exchange for tax payment. According to the argument of vertical contract, complying with tax law depends on whether the political goods provided by the government are sufficient compared to the tax payment (Alabede, 2012). Johnson and Omodero (2021) argued that if taxpayers feel that receiving political goods in return for tax payment from the government is lower than the amount paid, they might lose their willingness to comply with tax obligations. Different components of government and their impact on tax compliance have been discussed in prior research. Chan et al. (2017) studied the effect of trust in public authorities and the legal system on tax compliance behaviour. They concluded that trust in public officials and the legal system

is significantly associated with tax morale. Similarly, Ibrahim et al. (2015) empirically established that trust in government and confidence in parliament are positively associated with tax morale.

Nkundabanyanga et al. (2017) surveyed taxpayers' perceptions regarding their compliance behaviour in a developing country context. They revealed that government effectiveness, voice and accountability, and a transparent tax system determine tax compliance. Vythelingum et al. (2017) stated that if the government cannot provide effective service and a fair tax system, taxpayers may be reluctant to fulfil their tax obligation. In addition, corruption in the government has been addressed several times in tax compliance studies and is considered one of the significant determinants of low compliance. Akinyomi and Okpala (2013) examined the factors that contribute to tax non-compliance in Nigeria. Using a survey questionnaire, they found that a higher level of corruption at the government level leads to high non-compliance. Roshid et al. (2019), Jahnke (2017) and Williams and Krasniqi (2017) also revealed similar findings that an increase in corruption level also causes non-compliance. Alm et al. (2016) reported that a higher level of corruption frustrates taxpayers with the government, and they become less willing to comply. However, different components and actions of government and their impact on tax compliance behaviour have been addressed in prior literature, but a comprehensive study on the perception of taxpayers regarding the overall QoG and its impacts on taxpayer compliance decisions is yet to be examined (OECD, 2018; Abdullahi, 2017; Alabede, 2012).

The social exchange theory (Homan, 1974) supports the relationship between the QoG and TCB. It describes how the different parties of society interact. The main idea of the theory is that in our society, the development of human relationships depends on the subjective reciprocal exchange value. Considering the assumptions of the social exchange theory, Alabede (2012) interprets that taxpayers and the government will engage in a reciprocal exchange relationship, where taxpayers will pay taxes to the government treasury with an expectation that the government will also ensure their well-being and spend for them. This relationship will be formed based on the exchange value (Feld & Frey, 2019; Lee et al., 2019; Alabede, 2012). Torgler (2007) argued that a positive perception of the government's overall quality would be positively associated with the taxpayer's compliance behaviour.

The Quality of Tax Services and TCB

The QoTS can be defined as the judgments or perceptions of taxpayers towards the tax services provided by the tax regime (Susuwu et al., 2020). OECD (2018) pointed out that a positive perception of taxpayers regarding the quality of services provided by the tax office, namely, providing helpful information, effective interaction with taxpayers and hassle-free transactions, is very crucial since the compliance behaviour of taxpayers largely depends on these (Alabede, 2012). Service quality has been considered very important to both parties, the service providers and the receiver, as a positive perception of the service receiver regarding the particular service may increase the likelihood of repurchase (Augustine et al., 2020). Like other public sector organizations, the issue of service quality is significant to tax offices as they provide different types of service to the taxpayers (Fadzilah et al., 2017). Al-Ttaff and Abdul-Jabbar (2016) defined tax service as a set of actions undertaken by the tax authority to ensure and assist taxpayers in fulfilling their tax obligations.

However, taxpayers commonly perceive tax officials as inefficient, incapable, rude, abusive, and unhelpful, which directly affects the willingness of taxpayers to fulfil their legal obligations

(Abdullahi, 2017; Alabede, 2012). Torgler (2007) argued that taxpayers' willingness to cooperate with the tax authority will increase if the tax office sees itself as a service provider, provides quality service, and considers the taxpayers as partners. OECD (2018) added that taxpayers' willingness to comply would be enhanced if they perceived that the service received from the tax office is standard and meets their needs. In addition, the power of tax authority and trust in tax authority are considered essential factors in shaping taxpayers' compliance attitude (Gangl et al., 2015; Van Dijke & Verboon, 2010). Furthermore, Alm (2019) argued that the customer-friendly behaviour of tax authorities could enhance compliance rate.

The social influence theory, as proposed by Bandura (1977), offers a relevant framework for understanding the function of the tax authority in delivering high-quality services to enhance compliance among taxpayers (Yusoff & Mohd, 2017; Alebede, 2012). The theory posits that many environmental factors exert an influence on human behaviour and that human behaviour is shaped by these factors, whether consciously or unconsciously. Additionally, it posits that individuals acquire knowledge through the process of observation, imitation, copying, and modelling, as proposed by Bandura (1977). Taxpayers are required to engage with the tax office in order to fulfil their tax obligations, and the tax authority has the opportunity to utilize this interaction as a means to exert influence on taxpayers by offering improved services (Yusoff & Mohd, 2017; Musimenta et al., 2017). The compliance decision of taxpayers is likely to be influenced by their favourable opinion of the QoTSSs, as suggested by previous studies (Yusoff & Mohd, 2017; Musimenta et al., 2017; Alebede, 2012).

Economic Factors and TCB

Allingham and Sandmo (1972) were among the early researchers who identified tax rate, the severity of the penalty, and the probability of detection as key factors influencing taxpayers' compliance decisions, according to the economic perspective on tax compliance. Previous studies on tax compliance have predominantly focused on economic factors and have provided empirical evidence supporting their association with taxpayers' compliance behaviour (Alshira'h et al., 2020; Okpeyo et al., 2019; De Neve et al., 2019; Dwenger et al., 2016). This notion is further supported by Becker's (1968) deterrence theory. According to the theoretical framework, individuals consistently make decisions by engaging in a comprehensive evaluation of the costs and benefits involved. When the potential cost of non-compliance is outweighed by the penalty associated with the offence, taxpayers perceive non-compliance as a financial loss and consequently choose to comply.

Tax Knowledge as a Moderator

Tax knowledge can be defined as the capability of taxpayers to understand the tax laws and compute tax liabilities in accordance with it (Al-Ttaffi et al., 2020). Taking consideration of the nature of tax compliance studies and inconsistent findings of some of the determinants, empirical evidence supports that the basic theory of tax compliance cannot be sufficient to explain the issue of tax compliance in most countries (Slemrod, 2009; Torgler & Schaffner, 2007; Feld & Frey, 2003). Krichler et al. (2010) argued that the use of moderating variables might bring more precise results. Edwards and Lambert (2007) proposed using moderators in such studies where social situations and individual differences influence the strength of the relationship between independent and dependent variables. Some prior studies employed different moderating variables on the relationship between tax compliance and its determinants, for instance, socio-demographic factors (Paleka et al., 2023), religiosity (Agbetunde et al., 2022), tax-agent's role (Sinnasamy et al., 2015), personal norms (Murphy, 2007), risk

preference and personal financial condition (Alabede et al., 2011) but the moderating effect of tax knowledge has yet to be tested.

The cognitive theory, as proposed by Bandura (1991), provides theoretical justification for the association between tax knowledge and tax compliance behaviour. Bandura (1991) proposed the concept of the "self-efficacy mechanism" as a key element within the cognitive theory, exerting a significant impact on self-directedness. The author argued that self-efficacy plays an important role in shaping human thought, motivation, and action. According to Bandura (1991), personal knowledge is crucial in enhancing self-efficacy. This assertion is supported by additional research, which suggests that possessing sufficient knowledge enables individuals to make appropriate decisions (Peredaryenko, 2019; Deelstra et al., 2003).

This study attempts to review the existing literature and related theories to propose a framework for better understanding the TCB. The primary findings from the literature to support the relationship between TCB and its determinants are summarized in Table 1

Table 1: Summary of the Key Findings of the Literature

Variable	Definition	Theory	References
Dependent			
TCB	Compliance with tax filing, reporting, and payment		Brown and Mazur (2003); Ashby et al. (2009); Alabede (2012).
Independent			
The QoG	Impartial performance, effective measures to ensure the quality of public services and firm commitment and actions to prevent corruption.	Social Exchange Theory (Homan, 1974).	Rothstein and Teorell (2008), Norris 2012), Charron et al., (2015).
The QoTS	Providing useful information, effective interaction with taxpayers and hassle-free transactions	Social Influence Theory (Bandura, 1977).	Susuawu et al. (2020) 2020, Augustine et al. (2020), Alabede (2012), Brady and Cronin Jr. (2001)
Economic Factors	Probability of being detected, severity of penalty and tax rate.	Deterrence Theory (Becker, 1968).	Alshira'h et al. (2020), Okpeyo et al. (2019), De Neve et al. (2019), Chau and Leung (2009)
Moderating			
Tax Knowledge	Capability of taxpayers to understand the tax laws and compute tax liabilities in accordance with it	Cognitive Theory (Bandura, 1991).	Al-Ttaffi et al. (2020), Alabede (2012), Ahmad et al. (2007)

A Proposed Tax Compliance Model for Bangladesh

Bangladesh, classified by the UN (UN, 2023) as a LDC, and the focus region of the study has very few empirical studies that cover the issue of tax compliance. Most studies focused on Value Added Tax (VAT), the primary source of indirect tax in Bangladesh. Faridy et al. (2014) addressed the complexity and compliance cost in the VAT system and how these contribute to non-compliance. Researchers argued that the VAT system in Bangladesh is neither progressive nor transparent (Siddique & Saleheen, 2020; Faridy & Sarker, 2011). Khan et al. (2019) did a household survey to examine the potential of income tax. They concluded that very little can be known about the overall stand of income tax collection in Bangladesh due to a need for more empirical studies and argued that future researchers should pay attention to this.

However, considering the psychological aspect of human nature, prior studies have mentioned the government's role in shaping tax compliance behaviour. Several components and actions of government, namely; trust in public authorities (Chan et al., 2017; Ibrahim et al., 2015), transparency and accountability (Nkundabanyanga et al., 2017), corruption in a government setting (Roshid et al., 2019; Alm et al., 2016), democracy (Elbahnasawy, 2020), service quality (Nkundabanyanga et al., 2017), political goods (Lassen, 2003) have been addressed in prior literature and examined their relationship with TCB. However, a comprehensive study on taxpayers' perception regarding the overall QoG and its impacts on taxpayer's compliance decisions is yet to be examined (OECD, 2018; Alabede, 2012; Abdullahi, 2017).

Moreover, two important determinants of TCB, namely the QoTS (Augustine et al., 2020; Alm, 2019) and economic factors (Alshira'h et al., 2020; De Neve et al., 2019; Dwenger et al., 2016) have been coined in prior studies but not enough data could be gathered regarding the effect of these variables on the compliance decision of Bangladeshi taxpayers due to lack of empirical studies in the context of Bangladesh (Khan et al., 2019). In addition, Krichler (2007) and Edwards and Lambert (2007) suggested that using moderators in tax compliance research might bring more precise results. Prior studies employed moderating variables on the relationship between tax compliance and its determinants (Paleka et al., 2023; Agbetunde et al., 2022; Sinnasamy et al., 2015; Alabede et al., 2011; Murphy, 2007), but the moderating effect of tax knowledge is yet to be tested. Although the relationship between tax compliance behaviour and the QoTSs and economic factors has been examined before, the moderating role of tax knowledge in the relationship between tax compliance behaviour and these two variables are yet to be tested. In addition, demographic variables, namely age, gender, level of education, level of income, and occupation, have been incorporated in many prior studies related to tax and found clear direction (Ikhsan & Suratman, 2023; Muharremi et al., 2022; Hofmann et al., 2017; Alabede, 2014). In order to avoid the replication of the findings and to get accurate results, this study aims to use demographic variables as control variables. Therefore, based on the gaps in the literature, theories and the arguments mentioned above, the proposed model of the study is shown in Figure 1 below.

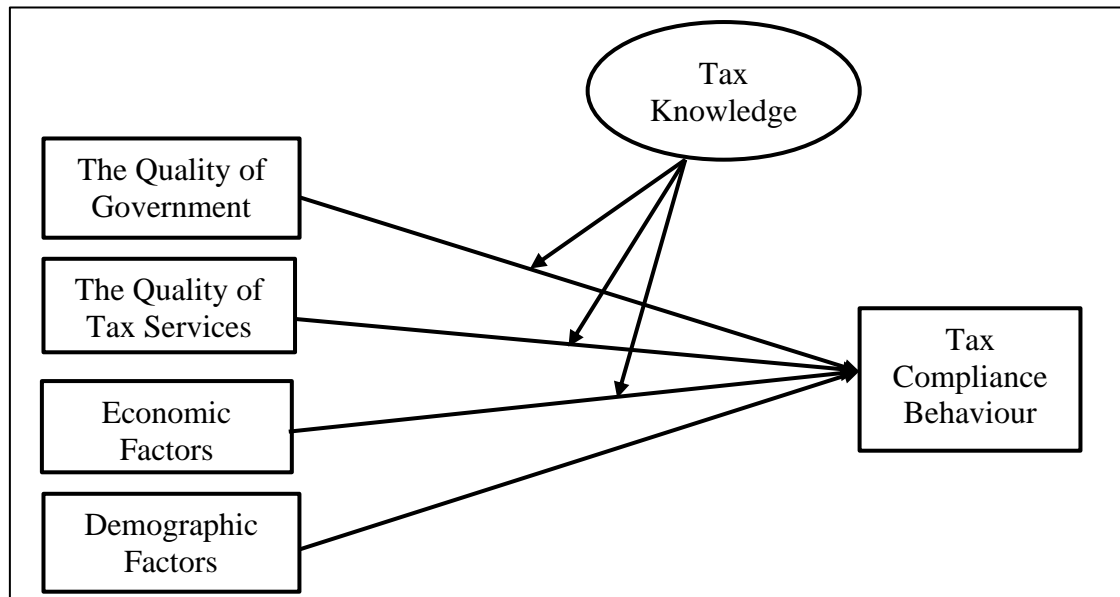


Figure 1: Proposed Tax Compliance Model for Bangladesh

Conclusion

This paper presents a proposed model of TCB for Bangladeshi taxpayers to gain a better understanding. The model comprises three determinants: the QoG, the QoTSSs, and the relevant economic factors. In addition, it also considers tax knowledge as a moderator of the determinants of TCB in Bangladesh. Gaps in the existing literature and environmental, social, and cultural features of Bangladesh were considered to incorporate the determinants. In addition, the social exchange theory, the social influence theory, the deterrence theory, and the cognitive theory were employed to justify the incorporation of the determinants.

Theoretically, this study complements the existing body of literature by adding the factor, namely, the QoG in a LDC context. In addition, this study has included the tax knowledge of individual taxpayers as a moderating variable to examine its function in influencing the link between tax compliance behaviour and its determinants, and it is expected to enhance the existing discourse on tax compliance. Besides, empirical studies on tax compliance and its determinants are scant in Bangladesh. Hence, this study also aims to enhance the tax literature in Bangladesh by integrating the assessment of tax service quality and other pertinent economic aspects into the analysis of tax compliance.

Practically, this paper aims to produce a better understanding to the governments of developing countries and LDCs, particularly Bangladesh, their tax regimes, and the relevant policymakers regarding the tax compliance issues. The proposed model would benefit the concerned authorities in getting new knowledge regarding the determinants of TCB and formulating policies focusing on the issues to handle the problem of poor tax collection.

This study limits its focus to only three aspects of government to define the QoG. However, additional dimensions might need to be included to illustrate the subject matter more elaborately. Furthermore, the inclusion of tax knowledge, the only moderator in the model, might not be sufficient to reflect the actual compliance behaviour of taxpayers. Hence, future studies could consider these limitations as windows for new research to enrich the existing narratives of TCB.

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