

FACTORS AFFECTING INDIVIDUAL TAXPAYER COMPLIANCE BEHAVIOR: A KHYBER PAKHTUNKHWA STAKEHOLDERS PERSPECTIVE

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Abstract

Improving tax to GDP ratio remained a hot issue for Governments around the World, and hence, Pakistan is no exception. The current Government of Pakistan has attempted several attempts to achieve the tax revenue collection targets since taking charge of the Government. This paper explores factors affecting the tax compliance behaviour of the taxpayers in the Province of Khyber Pakhtunkhwa. The authors used a qualitative approach by conducting semi-structured in-depth interviews with the income tax consultants, tax Administration employees (Federal Board of Revenue and Khyber Pakhtunkhwa Revenue Authority) and the business individuals to explore tax compliance behaviour in the Province. Moreover, the current study applied NVivo 13 qualitative research tool to transcribe interviews, create nodes, codes, carry out thematic analysis, and display the data for analysis. A project map is shown in the results of the study. However, this paper contributes to academia and the income tax administration at large. Tax compliance broader categories are divided into sub-factors. These include tax administration factors (easy to read tax laws, income tax cards, tax benefit disclosure, autocratic tax employees attitude), academic factors (tax chapter in the curriculum). Government factors include perception about government spending, Pakistan national taxation day and some other factors included in the paper. Keeping it all together, this paper adds to the literature in two ways. First, many papers focus on the formal tax compliance factors to increase the tax collection, whereas this paper investigates informal tax compliance factors in taxation. Second, these informal factors identified are economically meaningful. Thus, the finding of the current paper improves understanding of

the economic, social, psychological, institutional, environmental, and cultural factors following the individual taxpayers' behaviour. Thus, it brings socio-economic benefits to the Province of Khyber Pakhtunkhwa.

Keywords: Tax Compliance Factors, Individual Taxpayers, Federal Board of Revenue, Behavioral Interventions, Khyber Pakhtunkhwa.

1 INTRODUCTION

Improving the tax to GDP ratio has always remained a hot issue globally. Governments worldwide strive to achieve their targeted tax to GDP ratio for socio-economic development and prosperity. Usually, the Government finances the public projects based on tax revenues collected from the general public in the country at large. Yet, many people escape to pay their taxes following legal or illegal means; if it is the case, governments cannot provide required facilities in terms of infrastructure due to the shortage of funds (Kamal, 2019). This way of doing by the people is termed *tax non-compliance* behaviour, broadly categorized into tax evasion and avoidance. However, tax evasion and avoidance are common practices around the globe, and Pakistan is no exception in this regard.

However, tax evasion and tax avoidance are perceived as similar concepts while somewhat different depending on the taxpayer's action. Several other researchers (Batrancea *et al.*, 2019; Gangl, Hofmann & Kirchler, 2015; Gangl *et al.*, 2019; Kogler *et al.*, 2013; Kirchler, Hoelzl & Wahl, 2008; Wahl, Kastlunger & Kirchler, 2010) tested slippery slope framework via the perceived enforced compliance of power in authority and voluntary compliance trust in authority. They explored that trust and power of authority perform an excellent role in improving the tax to GDP ratio and thus achieving the targeted revenue collection by the revenue authority. Besides, slippery slope framework, some other important factors also play an important role in determining the tax compliance behaviour like tax knowledge (Devos, 2014a), tax penalty (Ahmad, 2019), tax morale (Feld & Frey, 2002), tax audit (Feld & Frey, 2007), tax attitude (Kirchler, Niemirowski & Wearing, 2006; Helhel & Ahmed, 2014) and some other concerning the religiosity matters (Mohdali *et al.*, 2019; Benk *et al.*, 2016).

Several economic and psychological factors are discussed in the literature in which some are less, and some are more dominating determinants of the tax compliance behaviour among the taxpayers; however, apart from these conventional factors affecting tax compliance behaviour –

the current paper focusing more on the informal behavioural interventions following newly emerged “Nudge Theory” introduced by Thaler and Sustein, (2008). Some recent studies tested nudge theory in taxation owing to tax compliance behaviour and suggested that nudge theory positively influence tax compliance (Hoy, McKenzie & Sinning, 2020). Another new policy of naming shaming in taxation was also investigated in the policy matter concerning tax issues(Ahmad, 2019).

This study asks a critical question from the tax consultant in the district Peshawar fostering: What factors affect tax compliance behaviour? Tax consultants, tax administration officials and business community members’ opinion was taken and then analyzed through NVivo 13 qualitative software. This study is the first to apply thematic analysis following Miles and Huberman's (1994, p.10) qualitative data analysis procedure involving three concurrent activities of first reducing the data, then displaying the data, and finally drawing the conclusion. For this purpose, the author employed the NVivo tool to identify codes, nodes, and display results for analysis.

1.1 Research Objectives

Research objectives are always drawn based on research questions to be explored (Bryman, 2007). The current study focuses on finding the main themes of the tax compliance behavioural factors by conducting semi-structured interviews with the tax consultants, tax administration employees and the business community members in the Province of Khyber Pakhtunkhwa.

2 THEORETICAL BACKGROUND AND REVIEW OF PREVIOUS STUDIES

2.1 Theory of Planned Behaviour

The theory of planned behaviour is used to predict any stakeholder's intentions and behaviour in the decision-making process(Azjen, 2011). This theory is used in behavioural finance to know the investor's sentiments in the stock market regarding the investors therein. The theory of planned behaviour (TPB) is also used in psychology to identify any other person thinking level and to predict future intentions and human behaviour (Presley, Damron-Martinez & Zhang, 2010)(Ajzen, 1991). It is also used in predicting the business students choices for abroad studies (Presley, Damron-Martinez & Zhang, 2010), corporate taxpayer attitude and behaviour(Jugurnath & Ramen, 2018), and other researchers conducted a meta-analysis on the

TPB (Ajzen, 2011) tax agent compliance behaviour (Hamid, 2013) and to test the human social behaviour (Ajzen, 1985) and the leisure choices of the students (Ajzen & Driver, 1992). This study is carried out to know the intentions level of the taxpayers to pay taxes or not to the federal and provincial board of revenue in the Province of Khyber Pakhtunkhwa. The theory of planned behaviour is widely used in existing literature in association with the tax compliance studies like Jugurnath and Ramen, (2018) linked showed positive results of tax attitude in support of the theory of planned behaviour. Some linked theory of planned behaviour with other determinants of tax compliance (Taing & Chang, 2021).

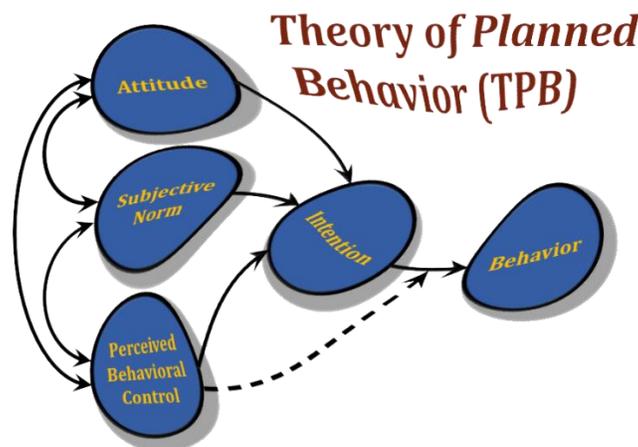


Figure 1: Theory of Planned Behavior - TPB (Fishbein&Ajzen, 1975)

2.2 Theory of Reasoned Action

The theory of reasoned action proposed by the theory of reasoned action aims to explain the dynamics of human actions in terms of attitude and behaviour and how individuals behave based on their pre-existing behavioural intension and attitude during a decision-making process. Theory of reasoned action (TRA) is widely used by researchers other than taxation (Shanmugham & Ramya, 2012) to study the trading behaviour of individual investors in the stock market. This theory is also utilized in the tax compliance-related studies, i.e.(Bidin & Shamsudin, 2013), to analyze the individual taxpayer's behaviour and intention in the context of tax compliance. Keeping in mind that The theory of reasoned action (TRA) is a particular case of the theory of planned behaviour (TPB). The only difference between the two theories is that the TPB includes behavioural control as an additional determinant of intentions and behaviour. The theory of reasoned action is followed by several researchers in literature, i.e. (Bidin, Mohd

Shamsudin and Othman, 2014) applied this theory in assessing taxpayers intentions among taxpayers. (Kiconco *et al.*, 2019) also followed this theory in the determination of the tax compliance behaviour.

2.2.1 Slippery Slope Framework

Gangl, Hofmann and Kirchler, (2015) analyzed the dynamics of the slippery slope framework in more detail. The authors conceptualized the differences between power and trust in legitimate and coercive power and reasoned and implicit based trust. Moreover, they reported that the slippery slope framework could solve the social dilemma of tax non-compliance by taxpayers by maintaining the power of tax authorities and trust in the tax authorities. The same framework is also suggested by (Kirchler, Hoelzl & Wahl, 2008a; Wahl, Kastlunger & Kirchler, 2010) in tax compliance studies. The authors said that the power of tax authorities and trust in tax authorities are very much relevant dimensions of voluntary and enforced tax compliance. In this study, the authors identified major factors relating to the two dimensions of slippery slope framework, i.e., tax penalty, tax audit probabilities, tax rate rationality, tax knowledge, tax attitudes, tax norms, and fairness (Batrancea *et al.*, 2019; Kogler *et al.*, 2013) tested slippery slope framework in four European countries differ from one another in economic and cultural settings. Authors said that tax compliance depends upon the perceived trust in authorities and perceived power of authorities. Still, trust, on the one hand, reflects voluntary tax compliance while authorities' power fosters enforced tax compliance. In this study, the authors test the slippery slope framework keeping in mind how the power of tax authorities and taxpayers trust may improve individual taxpayers' compliance behaviour. This theory supports the current study via the taxpayers' determinants of tax compliance factors in the Province of Khyber Pakhtunkhwa.

2.3 Nudge Theory

The latest approach regarding the taxpayer's compliance behaviour is the nudge theory in taxation. A formal definition of Nudge is that "It is a concept in behavioural economics, political theory, and behavioural sciences which proposes positive reinforcement and indirect suggestions as ways to influence the behaviour and decision making of groups or individuals. Thaler and Sunstein (2008) define a nudge as an "aspect of the choices architecture that predictably alters people's behaviour without forbidding any options or significantly changing their economic incentives". Recently years have seen a lot of excitement around the idea of using "nudges" to

improve individual behaviour. Nudging is like a gentle push towards changing behaviour, and these nudging practices have been studied in many important policy areas like in education (Ross, 2019), healthcare (wisdom et al., 2010), consumer behaviour (Costa & Kahn, 2013), among others. Thaler and sustain (2014) presented ten important nudge practices that put things into positive steam; default rules, use of social norms, simplification, increase in ease and convenience, disclosure, warning, graphics or otherwise, recommitment strategies, reminders, eliciting implementation intentions, and informing people of the nature and consequences of their own past choices in their decision making. This nudge theory is widely tested around the globe, i.e., Austria, Germany, Denmark, Poland, Israel, Switzerland, and other countries successfully implemented the outcomes of nudge theory that successfully affects taxpayers compliance behaviour (Kettle, Hernandez, Ruda, & Sanders, 2016).

2.4 Previous Studies on the Non-Economic Factors Affecting Tax Compliance Behaviour

A book written by (Becker, 1968) documented the effects of punishment and crime and reported that punishment certainly affects the individual taxpayers reporting behaviour. In this book, the author also explained some other principles that truly contribute to the non-compliance behaviour of the taxpayers. But taxpayers commit this financial tax fraud when they feel the financial cost is less than the financial benefit from tax evasion (Allingham & Sandmo, 1972). Therefore, the economic deterrence model is established, considering that tax evasion certainly affects compliance behaviour.

Many other researchers (Olatunji Olaoye, 2017; Collins, Milliron & Toy, 1992; Sikayu, 2016) investigated different factors affecting the tax compliance behaviour of individual taxpayers, i.e., tax knowledge, information assistance by the tax authority, tax authority administration and tax information. They documented significant and positive results except for tax administration on tax compliance. Previous studies reflect research studies on corporate taxpayers attitudes and tax compliance behaviour (Jugurnath & Ramen, 2018) and individual taxpayers (Ayuba *et al.*, 2016). The author studied important economic and psychological factors on taxpayer compliance in an individual taxpayer's context.

Under equity and planned behaviour theories, individual taxpayers fairness perception is also documented in the literature (Saad, 2011), applying thematic analysis and using a survey questionnaire and in depth-interviews. Other dimensions of tax compliance play a significant

role in tax compliance behaviour, but local culture is no exception. The attributes of the local culture have close links with the tax compliance behaviour in a country like China (Ho, Ho & Young, 2013). The authors analyzed (Hofstede, 1983) national cultural dimension and reported positive results in a tax compliance perspective. Tax agent behaviour is studied by (Hamid, 2013) considering the self-assessment scheme (SAS) in New Zealand and Malaysia. Rest, 1986 used a multidimensional ethical scale (MES) to analyze ethical sensitivity and tax agents compliance behaviour. Major research work on tax compliance is reported in the following table 1.

Table 1: Major Tax Compliance Non-Economic Factors in Literature

	1	2	3	4	5	6	7	8	9	10
Authors	Power of authority	Trust in authority	Fair political process	Friendly treatment of taxpayers	Tax morale	Tax culture	Tax knowledge	Tax attitude	Using IT in Taxation	Tax complexity
(Hofmann et al., 2014)	Yes	Yes								
(Feld and Frey, 2007b)			Yes	Yes	Yes					
(Chau and Leung, 2009)						Yes				
(Saad, 2014)							Yes			Yes
(Jugurnath and								Yes		

Ramen,
2018)

(Felsent
hal and
Bank,
2019)

Yes

3 RESEARCH METHODOLOGY: QUALITATIVE INTERVIEW STUDY

This paper applied a qualitative research technique following an interpretive stance to answer the proposed research question in the study (Creswell & Winter, 2018). German researchers used the interpretivism approach finding dynamics exploring unknown phenomena. This approach investigates a phenomenon as “the world of human experience”. The interpretive approach assumes that humans socially construct reality in the world. Moreover, Interpretivist researchers usually rely on considering participants’ views, own recognitions, observations, and contingencies. It is worth mentioning that researchers follow an interpretivist approach to develop a theory, which provides a basis for the qualitative research study (Bryman, 2007).

In this study, the author is interested in performing a grounded theory approach to data analysis. The authors conducted semi-structured interviews with the income tax consultants showing important questions to know their expert opinion on the individual tax compliance behaviour. The non-probability convenience sampling technique is used to collect the data from the respondents. The authors applied the qualitative NVivo 13 package to transcribe interviews into codes, nodes, themes, charts, and carry out thematic analysis and display the data for analysis. This paper followed Miles and Huberman, (1994) thematic approach where three concurrent activities are employed; reduce the data, display the data and drawing conclusion from the qualitative analysis. The main question for the study is given below;

Question: *What factors affect tax compliance behaviour in the Province of Khyber Pakhtunkhwa?*

3.1 Choosing a Research Design

Research design is divided into two critical approaches, i.e., deductive and inductive. Quantitative research studies closely follow deductive approaches drawing hypotheses and corroborating the underlying theory. On the other hand, Qualitative studies follow inductive approaches, allowing the researchers to draw hypotheses by looking into observations and interviews and emerging new theories based on the data analysis. Qualitative research employs the inductive approach, which allows the researchers to collect the data through observations, interviews and case studies and draw conclusions on the qualitative data analysis (Bryman, 2007; Saunders, Lewis & Thornhill, 2012). The interpretivist paradigm strongly supports inductive research studies, which portrays that reality is socially constructed based on the researcher's observations and participant's interviews conducted in the qualitative research study (*see Table 2*). This qualitative study explored and explained the basic tax compliance non-economic factors that emerged in thematic analysis in the study. That is why this qualitative study showed many rich and meaningful data patterns and charts concerning the tax compliance non-economic, social, psychological, cultural, environmental, and institutional factors using the inductive approach in the study (Bryman, 2007; Creswell & Winter, 2018).

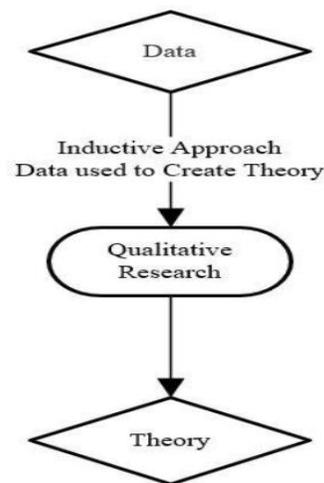


Figure 2: Inductive Approach in Qualitative Research. Source. Saunders et al. (2012)

3.2 The rationale for Choosing a Qualitative Research Design

A grounded theory qualitative research design is employed in the study (Pasipamire, 2021; Mason et al., 2020; Bryman, 2007). Existing tax compliance literature on economic factors in

developed and developing countries revealed several studies (Kirchler, Hoelzl and Wahl, 2008; Khadijah Mohd Isa, 2012; Olowookere and Fasina, 2013; Devos, 2014a; Benk *et al.*, 2016; Nicholson, 2019; e Hassan, Naeem and Gulzar, 2021a) and non-economic factors around the world (Falkinger & Walther, 1991; Richardson, 2006; Kirchler & Wahl, 2010; Molero & Pujol, 2012; Olowookere & Fasina, 2013; Kettle *et al.*, 2016; Yücedoğru & Hasseldine, 2016; Nkundabanyanga *et al.*, 2017; Nguyen *et al.*, 2020). It is worth mentioning that many researchers conducted quantitative studies on tax compliance in Pakistan. Still, no such grounded theory qualitative research study exist concerning tax compliance owing to its non-economic factors in the current literature. This study bridges the gap mentioned above by using a grounded theory qualitative research design using a thematic procedure for data analysis.

3.3 Target Population and Sampling Frame

The target population for the study is all the major stakeholders located in Khyber Pakhtunkhwa province, i.e., individual taxpayers, corporate taxpayers, tax practitioners, tax consultants, and others. As per the previous literature, only tax consultants are selected for data collection among all the major stakeholders (Khadijah Mohd Isa, 2012; Hamid, 2013; Farhi & Gabaix, 2020). Following the saturation principle, the author chose 15 major tax stakeholders (where five each were tax consultants, tax administration officers, and business individuals) for interviews and data collection. They are selected due to their deep knowledge and expertise in tax compliance issues and voluntarily providing in-depth and sometimes confidential information. For data collection, the non-random purposive sampling technique is most suitable for the qualitative interviews (Creswell, 2009; Creswell & Winter, 2018; Peters, 2010). Respondents were carefully selected following the criteria where (i) the respondents must hold detailed information about the problem being investigated; (ii) voluntarily participated in the research process; (iii) and those consultants who provide relevant and desired detailed information (Korstjens & Moser, 2018).

4 RESULTS AND DISCUSSION

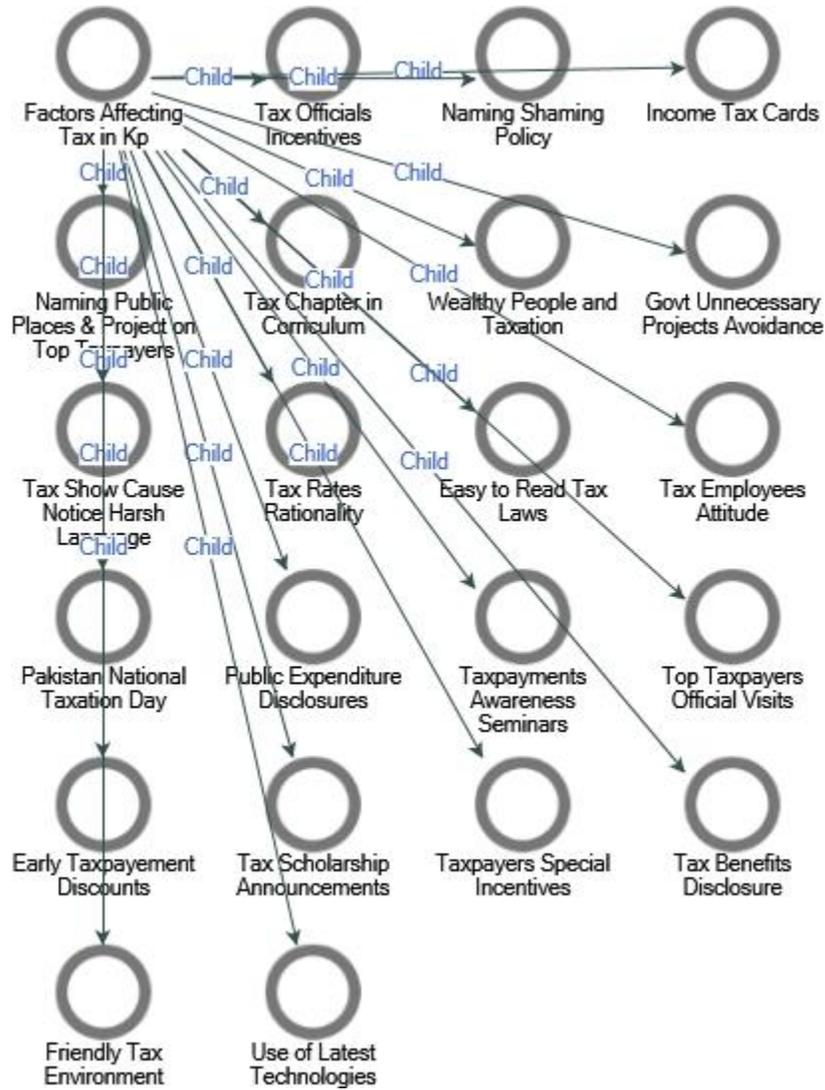


Figure 3: Project Map & Themes of the Study

Table 2: Main Categories and Sub-Categories of Tax Compliance

Main Category	Sub Category	Examples
Tax Administrative Factors	Easy to read tax laws	"The Government must try to make the income tax laws easy as they can because most tax consultants feel hard to understand the income tax laws. That is why income tax laws must be easy to read and understand (Participant 1, Male, Tax Consultant)".
	Early tax payment discounts	
	Income tax cards	
	Tax benefit disclosure	
	Tax employees' attitude	
	Tax official incentives	
	The tone of the show cause notice	
Academic Factors	Friendly tax environment	"A chapter should be included in
	Practical tax chapter in the	

	curriculum	<i>the course curriculum at school, college, and university levels to create awareness on tax payments (Participant 1, Male, Tax Consultant)".</i> <i>"Tax payment must be introduced at the grass-root level in the single national curriculum. There should be an ethical tax module where the Government must discuss and disclose all their facilities granted to the general public to win the citizens' confidence in favour of revenue authority. Hence, a sense of responsibility will be developed to pay taxes to the Government and thus improve the tax compliance behaviour (Participant 2, Male, Tax Consultant)".</i>
Government Factors	Avoidance of unnecessary projects Pakistan national taxation day Govt public expenditure disclosure Govt tax scholarship announcement	<i>"The Government must reduce its public expenditures and try to maintain the system via repair and maintenance (Participant 1, Male, Tax Consultant)".</i>
Taxpayers' Factors	Naming public projects after taxpayer names Taxpayers' special incentives Taxpayers' awareness seminars Top taxpayers' foreign visits Extending tax to wealthy people	<i>"Pakistan Must celebrate a special day of taxation like Father's Day, Mother's Day, Iqbal Day, Quaid e Azam day, Cancer Day. I suggest a name of Pakistan Taxation Day that must be celebrated each year (Participant 1, Male, Tax Consultant)".</i>
Policy Factors	Naming shaming policy Tax rate rationality	<i>"Naming shaming policy to follow via Electronic signboards must be used to display the names of the top taxpayers on the district level, like in offices employees are declared as the Hall of fame of the month or year. People usually feel happy when their picture is displayed on the signboard or banner during the political campaign</i>

Technological Factors	Use of latest technologies Point of sale (POS) system installation to manufacturer, wholesalers, retailers Aasaan tax app	<i>(Participant 2, Male, Tax Consultant)". "Updated technologies must be introduced to facilitate the taxpayers at earliest. Aasaan tax app and point of sale (POS) system integration will prove beneficial in increasing tax revenues and improving tax compliance behaviour. (Participant 3, Male, tax Consultant)".</i>
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4.1 Factors Affecting Tax Compliance Behavior

All the twenty-one factors developed in the thematic process are divided into seven main categories: tax administration factors, academic factors, government factors, taxpayers' factors, policy factors, and technological factors. Previous studies in literature documented several non-economic and psychological factors related to tax administration factors (Collins, Milliron & Toy, 1992; De Simone, Sansing & Seidman, 2013), Academic factors (Al-Mamun *et al.*, 2014; Saleh Al-Maghrebi, Riayati & Mohd, 2016), government factors (De Simone, Sansing & Seidman, 2013; e Hassan, Naeem & Gulzar, 2021b), taxpayers factors (Devos, 2014a; Saleh Al-Maghrebi, Riayati & Mohd, 2016; Savitri & Musfialdy, 2016; Dwenger & Treber, 2018; Gangl & Torgler, 2020), policy interventions (Cyan, Koumpias & Martinez-Vazquez, 2016; Hallsworth *et al.*, 2017; Alm *et al.*, 2019; Dwenger & Treber, 2019). All these factors are discussed in detail following the tax consultants opinion and associating these factors with the previous studies. Section 4.2 provides tax organizational factors and the major factors identified in the study. Section 4.3 explain the academic factors, while section 4.4 discusses major themes of government factors. Section 4.6 policy-related tax compliance factors and 4.7 provides a debate on the technological factors affecting the tax compliance behaviour in the Province of Khyber Pakhtunkhwa.

4.2 Tax Administrative Factors

This section explains all the themes under the tax administration factors the main heading; i.e., easy to read tax laws, early tax payments discount, income tax card, tax benefits disclosure, tax

employees attitude, tax employees extra incentives, tone of the show-cause notice, friendly tax environment

4.2.1 Easy to Read Tax Laws

Tax laws are complicated to read and thus out from the range of individual taxpayers(Saad, 2014). This tax complexity puts taxpayers into trouble, and they can pay their taxes themselves without any help from the tax practitioners. Tax laws are usually complicated to read; even the tax consultants are not that expert in reading different important sections of the tax laws. Therefore, in our study, one of the tax consultants suggested that;

"The Government must try to make the income tax laws easy as they can because most tax consultants feel hard to understand the income tax laws. That is why income tax laws must be easy to read and understand (Participant 1, Male, Tax Consultant)".

Another respondent also said about the tax laws that;

"Income tax law is written only in the English language. It should be translated to other languages, i.e., Urdu, Pashto and others, as per the local interest. It will create comfort for the taxpayers in the country at large. Therefore, there is a dire need to introduce Easy Urdu Tax Laws (Participant 3, Male, Tax Consultant)".

Overcoming these factors in tax collection would certainly improve individual taxpayers compliance behaviour in the said Province. Providing easy to read tax laws is the need of the day as per the tax consultant.

4.2.2 Early Tax Payment Discounts

Feld and Frey (2007)investigated that early tax payments discounts to the new filers, and the existing taxpayers will encourage them to pay early in the future. Early tax payment discount is also pointed out by one of the respondents and said that;

"Tax administration must announce special discounts on early payments like those who will pay tax in the first ten days and so forth (Participant 1, Male, Tax Consultant)".

Early tax payment discount is a reward for taxpayers, and therefore it triggers their mood to pay their tax voluntarily in the future. Tax authorities cheat even their regular taxpayers if they earned any tax rebate but never granted or granted too late. Tax rebate affects taxpayer attitude towards tax compliance, yet the Government failed to look after the issue (Mohd Rizal Palil, 2011).

4.2.3 Income Tax Cards

Thomas (2021) suggested that extra incentives and facilities to taxpayers would certainly improve their tax compliance behaviour. To relax and provide convenience to taxpayers, the FBR must provide income tax cards like ATM cards to stay them away from complications like one of the respondents suggested that;

"Special Income Tax Cards must be introduced and issued to taxpayers to let them realize that government is caring them in terms of their tax payments (Participant 2, Male, Tax Consultant)".

Likewise, issuing income tax cards to the taxpayers would inspire them to pay their due taxes on time because this card would realize that their tax payments give them rewards. Through Income tax cards, taxpayers may avail themselves of different services, i.e., hospitals, shopping malls, bus stations, etc.

4.2.4 Tax Benefits Disclosure

Several taxpayers do not know the tax benefits. If tax administration properly discloses all the benefits associated with the tax payments, it will motivate them to pay their taxes on time (De Simone, Sansing & Seidman, 2013; Barbuta-misu *et al.*, 2006).

"Income tax officials and the Government must disclose all those Tax return benefits associated with the Tax return filing and tax payments in the province (Participant 1, Male, Tax Consultant)".

Another respondent said that;

"Special facilities and protocols must be attached with the NTN number and their tax payments to the FBR (Participant 2, Male, Tax Consultant)".

If the revenue authority responsibly discloses all the associated tax benefits, it influences the taxpayer's attitude towards tax compliance (Bø, Slemrod and Thoresen, 2015; Holz *et al.*, 2020). The Government may use different social media platforms to promote awareness among the taxpayers, i.e., newspapers, magazines, Facebook, WhatsApp, Twitter, Instagram, tv commercials etc.

4.2.5 Tax Employees' Attitude

Tax employees' attitudes and behaviour toward the taxpayer certainly lead to low tax collection in the country (Eriksen & Fallan, 1996). It is, therefore, suggested by tax consultants to follow

ethical principles by the tax agents in dealing with the taxpayers in the country. One of the tax consultants pointed out that;

"I suggest that income tax officials must have polite manners and attitude with all the stakeholders, especially the new filers and the top taxpayers (Participant 1, Male, Tax Consultant)".

Another tax consultant was also said that;

"Income tax administrations should not be autocratic in dealing with the taxpayers (Participant 1, Male, Tax Consultant)".

Tax consultants also raised an interesting point that income tax authorities must teach behavioural theories to their employees as well tax agents

"FBR must teach their staff and agents the basic behavioural theories to convince the taxpayers keeping in view their attitude and behaviour (Participant 3, Male, Tax Consultant)".

Changing the mindset of the taxpayers towards a positive attitude is important to increase tax collection in the Province (Jugurnath and Ramen, 2018; Kiconco *et al.*, 2019; Deglaire, Daly & Le Lec, 2021). Thus, revenue authority must play a positive role by punishing the black sheep in the tax system to win the hearts of the taxpayers and thus a positive attitude of all the regular taxpayers and non-filers in the whole Province.

4.2.6 Tax Employee's Extra Incentives

Alm *et al.*(2019)explored how providing extra incentives to tax employees would affect tax employees' performance in Pakistan's context of tax collection. A tax consultant said about the same factors that;

"Special incentives must be granted for the tax collectors and the rest of the employees in the income tax department. It will push them towards collecting more and more tax payments from the taxpayers (Participant 2, Male, Tax Consultant)".

Tax administration authority may control their employees by providing them additional incentives for their loyalty and best services to the community (Kastlunger *et al.*, 2011; Ayuba *et al.*, 2016). This strategy will refrain them from doing any evil deeds and put them on the right to revert the black sheep into a loyal staff.

4.2.7 The Tone of the Show-Cause Notice

The tone of show cause notice has positive and negative impacts on the taxpayer perception if communicated wisely (Afield, Lester & Timm, 2018). The aggressive tone of the show cause notice creates anger and misperception among the taxpayers in Khyber Pakhtunkhwa. Therefore, the same problem is pointed out by a tax consultant;

"The departmental show-cause notices issued by the Federal Board of Revenue include a very autocratic tone and hard tone. That is why I suggest that FBR must use polite words in their show-cause notices issued to taxpayers (Participant 1, Male, Tax Consultant)".

Revenue authorities must introduce behavioural letters instead of the typical and stereotype show-cause notice to the taxpayers. Behaviorally designed letters have crucial impacts on the taxpayer's attitudes (Kettle *et al.*, 2016; John & Blume, 2018; Robitaille, House & Mazar, 2020; Thomas, 2021).

4.2.8 Friendly Tax Environment

Providing a friendly tax environment is important for the "Federal Board of Revenue authority" because a friendly tax environment pass good signals to community members at large (Feld & Frey, 2007a). The same point is raised by one of the respondents in the following words;

"FBR must provide a friendly tax environment to all the stakeholders, winning the confidence of the staff as well as the income taxpayers (Participant 3, Male, Tax Consultant)".

Creating a pleasant and tax-friendly environment will attract many taxpayers and non-filers to pay taxes and register themselves for the tax collection (Benk *et al.*, 2015; McGee, Devos & Benk, 2016; Goumagias, Hristu-Varsakelis & Assael, 2018; Kiconco *et al.*, 2019; Thomas, 2021). The internal tax administrative environment reflects many prospects for the taxpayers. Therefore, revenue authority must take necessary actions to maintain organization citizenship behaviour in the office premises.

4.3 Academic Factors

This section merely discusses the main factor of the tax chapter to the college and university level curriculum to create awareness and promote tax knowledge among the students who would later on become regular and registered taxpayers to the revenue authority in the Province.

4.3.1 Tax Chapter in the Curriculum

Tax knowledge and awareness are important for individual tax compliance behaviour (Kirchler, Hoelzl & Wahl, 2008; Devos, 2014; Olatunji Olaoye, 2017). Introducing a particular chapter in the college and university level curriculum with practical exercises on tax payments and others is vital to increase and achieve tax to GDP target revenue collection in the Province. Therefore, a respondent expressed in the following words

"A chapter should be included in the course curriculum at school, college, and university levels to create awareness on tax payments (Participant 1, Male, Tax Consultant)".

The same point from another angle is provided by a respondent and said that;

"Tax payment must be introduced at the grass-root level in the single national curriculum. There should be an ethical tax module where the Government must discuss and disclose all their facilities granted to the general public to win the citizens' confidence in favour of revenue authority. Hence, a sense of responsibility will be developed to pay taxes to the Government and thus improve the tax compliance behaviour (Participant 2, Male, Tax Consultant)".

Keeping in view the tax curriculum interventions, a respondent said that;

"The Government must also teach the general public about their social responsibilities at large. This subject should be named after the Practical Ethical Module, and students should not be required to appear in an exam for this subject. This practical guide must be updated annually (Participant 3, Male, Tax Consultant)".

Root level changes are necessary to add to the college and university level curriculum to guide them practically on how to pay taxes manually, online via tax Aasaan application, and other essential procedures in the tax system so that they may advise their immediate and extended families and friend on the tax payment procedure. This process would certainly guide them towards voluntarily tax payment to the revenue authority in the Province.

4.4 Government Factors

Section 4.4 government factors explain major themes identified after applying thematic analysis in the study. This section provides perception about the government spendings in section 4.4.1, while section 4.4.2 discusses the importance of celebrating the Pakistan National Taxation Day.

Moreover, section 4.4.3 documents the public expenditure disclosure debate, while section 4.4.4 provides an overview of the government tax scholarship announcements.

4.4.1 Perception About Government Spending

The Government sometimes initiates too many unnecessary public projects that affect tax revenues. Therefore, one of the respondents suggested that voluntary tax compliance would increase if the government wisely spent the national revenue (Hassan, Naeem & Gulzar, 2021). For voluntary tax compliance, a respondent said that:

"The Government must reduce its public expenditures and try to maintain the system via repair and maintenance. The Government must avoid unnecessary expenditures, so that amount of tax collection is safe from the wastage (Participant 1, Male, Tax Consultant)".

Suppose the government and tax administration authority treat common citizens as taxpayers and look after their trust and confidence in the government. In that case, wastage of tax amount must be avoided to develop positive perceptions by the general public about government spending.

4.4.2 Pakistan National Tax Day

During the Civil War in 1962, income tax was first collected in the United States on April 15th of each year is National Tax Day. In the United States, the term "tax day" refers to the day on which individual income tax returns are due to the Federal Government. The day may also refer to April 15th for state tax returns. The citizens usually observe this day by completing and filing their returns. On this day, whether you prepare your tax return or hire a professional preparer for yourself, only a couple of things are certain in life-death and taxes – once Benjamin Franklin said. Therefore, it is an interesting factor identified in the current study. Celebrating a national taxation day in the country would influence the general public opinion to become tax complaints. Therefore, a tax consultant said;

"Pakistan Must celebrate a special day of taxation like Father's Day, Mother's Day, Iqbal Day, Quaid e Azam day, Cancer Day. I suggest a name of Pakistan Taxation Day that must be celebrated each year (Participant 1, Male, Tax Consultant)".

Another respondent believed that;

"A National Tax Day must be celebrated to create awareness among the general public becoming income tax filers and regularly submitting returns (Participant 2, Male, Tax Consultant)".

The same point is raised by another tax consultant and said that;

"A national Tax Day must be observed to create awareness among the all the stakeholders of FBR (Participant 3, Male, Tax Consultant)".

Keeping in view the opinions of the tax consultants, it is indeed necessary to announce a single day to observe it as National Tax Day in the country. This tax day would influence non-tax filers' perception of registering themselves and improving individual taxpayers' compliance behaviour.

4.4.3 Public Expenditure Disclosure

If the Government discloses all their public expenditures available to the general public in the country, it would certainly win the confidence of the taxpayers and non-filers. (Awan & Hannan, 2014; Hassan, Naeem & Gulzar, 2021b). If public expenditure disclosure is enacted in the policy, it will bring positive results in tax collection. Therefore, a tax consultant commented that;

"The Government must win the general public confidence and ensure them about the Government expenditure as per their tax payments (Participant 1, Male, Tax Consultant)".

The same point from the other perspective is reported by a tax consultant that;

"The Government must provide daily, monthly, and for future detailed expenditure reports. Till now I no one knows about the total expenditure incurred on the Motorway development, i.e., NHA, BRT, etc."

This factor is also discussed in the previous literature (Nkundabanyanga *et al.*, 2017). Public expenditure disclosure is therefore essential to motivate the general public to report tax to the revenue authority in the country.

4.4.4 Govt Tax Scholarship Announcement

Creating awareness among the non-filers is essential in converting them into regular taxpayers. Government must provide tax scholarships to the taxpayer's family to comply with the tax laws.

This scholarship will influence the taxpayers' attitude in reporting due tax to the income tax authority(Said, 2017). Thus, a tax consultant said that;

"The Government must announce Tax Scholarships to create awareness about taxes and let the general public be familiar with the tax process (Participant 1, Male, Tax Consultant)".

4.5 Taxpayers' Factors

This section provides a detailed discussion on the factors under the taxpayer's interventions. Section 4.5.1 provides public project naming after the taxpayers' name; section 4.5.2 discusses special incentives; section 4.5.3 reports taxpayers awareness seminars; section 4.5.4 documents top taxpayers foreign visits; section 4.5.5 debates on extending the tax to wealthy people.

4.5.1 Naming Public Projects After Taxpayers

Naming public projects after the taxpayer's name inspires them to pay their taxes in the time, and this feeling will allow them to be honest with the Government. Because the Government take deep care naming public places and projects after their names. This factor is identified by one of the respondents and said that;

"Road, Schools, Hospitals, and other projects must be initiated and established on the names of top taxpayers in the country (TC1) Public places should name on the top taxpayers (Participant 2, Male, Tax Consultant)".

4.5.2 Taxpayers' Special Incentives

Some tax consultants believe that revenue authority should compensate all their taxpayers who regularly pay taxes and does not involve tax evasion and avoidance(Lenter, Slemrod& Shackelford, 2003; John & Blume, 2018)s. Therefore, they must provide extra benefits to motivate them to pay future taxes. About the additional benefits to the taxpayers, a tax consultant said that;

"There should be special incentives for taxpayers like reserved seats in BRT, AirPorts, Aeroplanes, Railway stations, Public Libraries, and even schools, Colleges, and Universities. Moreover, VIP Lounge and special entry and exit must be provided to taxpayers (Participant 1, Male, Tax Consultant)".

Another tax consultant also commented that;

"All the taxpayers must be provided a Quota in different places like in Government auctions, Plot Balloting, because there are so many

other Quotas, i.e., Public Quota, Government Servant Quota, Overseas Quota, Disable Quota, so Taxpayer Quota must be provided in different places (Participant 4, Male, Tax Consultant)".

some other benefits were pointed out by a participant and said that;

Health insurance, Education insurance, Kids Insurance should be attached with the Income Tax Card (Participant 2, Male, Tax Consultant)".

Tax consultant also reported that;

A golden mobile Sim Number should be issued to all the top taxpayers in the country so that each time they may realize their responsibility to pay taxes in the time (Participant 3, Male, Tax Consultant)".

Promoting tax awareness among the taxpayer will influence their tax attitude and thus resulting from avoiding tax evasions and avoidance. Therefore, a respondent said that;

Special chairs should be allocated in restaurants for the taxpayers across the Province to feel proud while attending the restaurants (Participant 3, Male, Tax Consultant)".

Compensating taxpayers by allowing them to obtain additional benefits from the government, particularly from the revenue authority, will influence the taxpayer attitude towards tax compliance in the Province.

4.5.3 Taxpayers' Awareness Seminars

Several taxpayers, among others, do not know how to pay their taxes because paying taxes is quite difficult to follow (Clark, Cornwell & Pruitt, 2009; Mohd Rizal Palil, 2011; Devos, 2014b; Saleh Al-Maghrebi, Riayati & Mohd, 2016; Savitri & Musfialdy, 2016). Before blaming, taxpayers for non-compliance, they must educate enough how to pay their taxes if they want to pay it themselves or do not want to hire a tax consultant. During the interview with the tax consultants, they raised some important points to improve tax compliance like;

"The Federal board of revenue officials must arrange seminars showing the public their social responsibilities paying the taxes on time and creating awareness among the general public at large (Participant 3, Male, Tax Consultant)".

Another participant also said that;

"Tax knowledge should be promoted among the general public that how to proceed for tax payment using iris technology etc. (Participant 3, Male, Tax Consultant)".

Another respondent said that;

"Events must be arranged for high-profile people, legends, and international icons and a photo session for the nominated taxpayers (Participant 1, Male, Tax Consultant)".

The revenue authority should arrange tax awareness seminars to improve individual taxpayer compliance. This facility will put forward the tax authority to achieve their tax to GDP ratio, resulting in the Province's socio-economic growth.

4.5.4 Top Taxpayers' Foreign Visits

Allowing top taxpayers to attend national and provincial assembly meetings and other committee proceedings regarding tax assessments would certainly upscale their morale to comply with tax laws in the future. Regular and top taxpayers must also be invited to participate in the country's tax policymaking process. A tax consultant said that;

"Government must allow top taxpayers, middle and lower level taxpayers to attend Federal Assembly, Provincial assembly, Senate, and Standing committees proceedings (Participant 1, Male, Tax Consultant)".

Allowing top taxpayers to visit a foreign country on the government expenses will uprise their morale and trust authorities in the context of tax collection. Therefore, it is suggested by the tax consultant to arrange foreign visits for the top taxpayers.

4.5.5 Extending Tax to Wealthy People

As per the tax consultants, most tax evaders and tax avoiders believed that imposing a tax on the poor and middle-level investors and businesses is unfair while ignoring the wealthy ones in the country (Roberts & Hite, 1994; Gangl & Torgler, 2020). Tax consultants said the tax should be collected equally among poor, middle and wealthy taxpayers. Thus, a tax consultant commented that;

"The tax net should be extended to wealthy people because being a tax consultant; I have come to know that average taxpayers showed grievances that why the government do not charge and extend the tax net to the wealthy people in the country (Participant 1, Male, Tax Consultant)".

4.6 Policy Related Factors

This section discusses policy-related non-economic factors that should be enacted to improve individual taxpayers compliance behaviour. Section 4.6.1 explains the naming shaming policy interventions, while section 4.6.2 discusses the dynamics of the tax rate settled by the revenue authority.

4.6.1 Naming Shaming Policy

New interventions are used to test whether it influences the tax compliance behaviour like (Ahmad, 2019; Dwenger & Treber, 2019) documented that like economic factors, psychological factors naming shaming policy affect the taxpayer's behaviour to pay their taxes on time. Taxpayers perceive that they would feel shame if revenue authorities disclosed and displayed their names in the newspapers and other social media. The same point is also raised by a tax consultant and said that;

"Naming shaming policy should be followed via Electronic signboards must be used to display the names of the top taxpayers on the district level, like in offices employees are declared as the Hall of fame of the month or year. People usually feel happy when their picture is displayed on the signboard or banner during the political campaign (Participant 2, Male, Tax Consultant)".

Another responded also commented;

"Naming shaming policy must be introduced on priority basis to let motivate the other tax defaulters (Participant 3, Male, Tax Consultant)".

Naming shaming policy has been tested and applied in foreign countries and revealed positive outcomes which influence the taxpayers individual and corporate level tax compliance behaviour (Ahmad, 2019; Dwenger and Treber, 2019). Therefore, it is suggested by tax consultants to enact this policy to improve individual tax compliance behaviour.

4.6.2 Tax Rates

Hassan, Naeem and Gulzar (2021) reported that tax rate irrationality creates confusion among the taxpayers. They perceive that revenue authorities treat poor and wealthy taxpayers with the same rates. This discrimination thus compels the taxpayers to involve in tax evasions and avoidance

for a more extended period and thus make it difficult for the revenue authority to achieve the tax to GDP ratio in the country. Therefore, a tax consultant revealed that;

"The income tax rates must be rationalized in the context of poor and wealthy taxpayers as they both should not be treated alike. The revenue authority must also not treat the investors who belong to different business histories (Participant 1, Male, Tax Consultant)".

The Government and revenue authority must treat the average and high profile investors and business people accordingly to avoid conflict of interest between these two stakeholders. This is only possible by introducing a rationalization policy to fix the tax rate in the country.

4.7 Technological Factors

This section discusses only one factor of using the latest technology for tax collection in section 4.7.1.

4.7.1 Use of Latest Technologies

Many governments adopted advanced information technology in tax collection (Li, Wang & Wu, 2020). Still, lack of awareness creates hurdles in the outcomes of the tax bureau. Moreover, tax consultants said using these technologies should be accessible for an ordinary person for tax filing, tax returns, and other obligations to pay using such technologies. Another evidence supporting using technology for tax collection is the World Bank's press release, where economies worldwide have made it substantially easy to pay taxes online following advanced information technology (Felsenthal, 2019). Therefore, tax consultants believed that;

"Updated technologies must be introduced to facilitate the taxpayers at earliest. Tax Aasaan app and point of sale (POS) system integration will prove beneficial in increasing tax revenues and improving tax compliance behaviour (Participant 3, Male, Tax Consultant)".

Yet another important factor, if overcome, will pave the way for the tax collection in the Province and the whole country. Advance information technologies are widely used in the tax collection process. Pakistan has launched an application titled "Tax Aasaan", but the problem is that taxpayers do not know how to use it wisely to submit their tax returns in simple steps and thus have no such benefits of its launching in the Province.

5 CONCLUSION, LIMITATIONS, RECOMMENDATIONS, AND FUTURE DIRECTIONS

5.1 Findings

The current study revealed many findings to improve the individual taxpayer compliance behaviour in the Province of Khyber Pakhtunkhwa. As discussed in results earlier in section 4, the author provided all the major themes identified in the study under the major categories of tax administrative factors and academic factors. Similarly, government and tax authority factors, taxpayers factors, policy-related factors and technological factors affect the individual tax compliance behaviour in the study province. Under section 4.1, all the major categories with sub-themes in detail. Tax administration related factors were the easy to read tax laws, early tax payment discounts, issuance of income tax cards to the taxpayers, tax benefits disclosure by the income tax authorities in the Province, tax employees attitude, tax employees additional incentive, tone of the show-cause notice and the friendly tax environment developed during the study. All these factors play an essential role in improving tax compliance behaviour and thus achieving the socio-economic benefits to the Province at large.

Section 4.3 provides detailed study findings showing related academic themes developed during the study. A tax consultant said that a practical chapter should be included in the college and university level curriculum so that students may learn to know how to pay their taxes themselves. The tax consultants suggest that this strategy will indeed produce voluntary taxpayer complaints. As provided in section 4.4, the Government plays a vital role in improving tax collection in the Province. What the general public perceives about the government spendings leads to their distrust in the Government and therefore do not pay their taxes voluntarily to the revenue authority. Thus, it becomes crucial for the Government to avoid unnecessary public projects and expenditures and disclose public spending.

Observing a national tax day is another crucial theme identified in the study. If each year on a specific date, a federal tax is celebrated as a national day will influence the choices of the tax non-filers in the Province. Likewise, taxpayers awareness seminars are also essential to affect taxpayers for the regular tax payments because most people are willing to pay the tax but do not know how to pay it. Therefore, it is necessary to arrange awareness seminars at schools, colleges,

and universities to let the public know how to report their taxes following the tax Aasaan app and other streams. Policy related factors are provided in section 4.6, where naming shaming policy interventions were suggested by the tax consultants so that tax non-filers, tax evaders, tax avoiders names must be displayed on the electronic signboards, giving their names on other different social media platforms. Section 4.7 sheds light on the technological factors that revenue authority must follow advanced information technology in tax collection to achieve the tax to GDP ratio, the preferred activity for each Government in Pakistan.

These findings are in line with those found in the literature. The tax administrative factors are consistent with the previous studies of (Barbuta-misu *et al.*, 2006; Khadijah Mohd Isa, 2012; Jugurnath & Ramen, 2018; Rasheed *et al.*, 2018; Monageng, 2019; Thomas, 2021), academic factors (Kirchler, 2007), government-related factors (Nerré, 2008; Kamal, 2019; Hassan, Naeem & Gulzar, 2021b). Taxpayers related factors are also consistent with the results of (Ahmad, 2019; Dwenger & Treber, 2019; Roberts & Hite, 1994; Hallsworth *et al.*, 2017). The technological factors are consistent with the studies of (Fennell & Fennell, 2005). As mentioned earlier, the previous studies strongly support the current study's findings, showing the importance of the present study and its associated socio-economic benefits for the Province of Khyber Pakhtunkhwa.

5.2 Conclusion

Several factors are explored after thematic analysis using NVivoqualitative software. The most important factors affecting tax compliance behaviour are tax administrative interventions, academic interventions, government interventions, taxpayers' interventions, policy interventions, and technological interventions. Among all the items explored in this study, some are more important to mention and worthy of reporting to the federal board of revenue to consider in their policymaking is to issue income tax cards to the taxpayers, easy to read tax laws, tax official incentives, a practical tax chapter in the course curriculum at college and university level, awareness seminars, naming shaming policy intervention, and a single page return for the individual taxpayer. The factors mentioned earlier certainly affect the individual taxpayer compliance behaviour and should be considered when dealing with them while collecting the due amount of tax money.

5.3 Limitations

This study is limited for two reasons. First, the study is only limited to the tax consultants asking questions about the factors affecting the individual taxpayer compliance behaviour in Khyber Pakhtunkhwa. Due to lack of time and limited resources. Second, only qualitative data via interview themes are used for analysis because access to the revenue authority is time-consuming for the research purpose.

5.4 Future Directions

For future researchers, there are two gaps; first, this study may be extended to the other stakeholders considering the whole country of Pakistan. Other stakeholders like self-employed, lawyers, doctors, corporate taxpayers, individual taxpayers, businessmen and women to explore more items and factors that would help the federal board of revenue improve tax compliance behaviour at large. Second, the application of nudge theory in this study will put it forward into a new direction introducing new nudge practices in taxation, improving tax compliance behaviour.

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