Report On

Underlying Causes of Individual Tax Evasion in Bangladesh

By

Md. Mahid Hasan

ID-19204014

An internship report submitted to the BRAC Business School in partial fulfillment of the requirements for the degree of Bachelor of Business Administration

BRAC Business School

BRAC University

July, 2025

Declaration

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at BRAC University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

Student's Full Name & Signature:

____

Md. Mahid Hasan

ID: 19204014

Supervisor's Full Name & Signature:

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Dr. H. M. Arif, PhD

Assistant Professor, BRAC Business School

BRAC University

Letter of Transmittal

Dr. H. M. Arif

Assistant Professor

BRAC Business School,

BRAC University

KHA 224, progati Sarani,

Merul Badda, Dhaka 1212.

Subject: Submission of the internship report on ‘Underlying Causes of Individual tax evasion In Bangladesh’.

Dear Sir,

I hope this letter finds you well. I am pleased to inform you that me Md. Mahid Hasan, ID-19204014, an undergraduate student of BRAC Business School. I am deeply thankful for the chance of presenting my internship report, titled “Underlying Causes of Individual tax evasion In Bangladesh”. It is a unit of BUS 400, my final course required to earn a bachelor's degree in business administration. I should add that, it was a in valuable experience to have the chance to do my internship at ACNABIN Chartered Accountants. This report highlights my experience, learning and contribution that I have made during my Internship at the firm. Also, I would like to acknowledge respectfully your invaluable advice and assistance at the preparation of this report.

I have tried my best to ensure that the final report thoroughly encompasses all important and vital data and recommendations with precision and clarity.

I, therefore, truly hope you will consider any discrepancies in my report as a result.

Sincerely yours,

____

Md. Mahid Hasan

ID-19204014

BRAC Business School

BRAC University

Date: July, 2025

Non-Disclosure Agreement

This agreement is made and entered into by and between ACNABIN chartered Accountants and the undersigned student at BRAC University, BRAC Business School

Md. Mahid Hasan

Acknowledgement

First of all, I would like to express my deepest and profound gratitude to Almighty Allah, for enabling me to successfully complete my internship program. Further, I would like to extent my heartfelt gratitude to Mr. Md. Golam Yusuf, Senior Assistant Manager, Taxation and Corporate Affairs Department, ACNABIN Chartered Accountants and Mr. Mohammad Mutasim Hossain, FCA director of Taxation and Corporate Affairs Department for their invaluable support and assistance in preparing this report.

Most importantly, I would like to express my deepest gratitude to Dr. H. M. Arif, Assistant Professor, BRAC Business School, BRAC University. In completing this report his immense support, guidance and insightful suggestions with comprehensive detail were very crucial. His mentorship and guidance were an invaluable source of inspiration and direction throughout the journey.

Executive Summary

This report about "Underlying Causes of Individual tax evasion in Bangladesh" is divided into three distinct chapter. In the first chapter, a detail overview of the internship program is outlined. It discusses the experience of my three-month internship at ACNABIN. It illustrates few key components like job responsibilities, kinds of personal experience that were gained in the internship period and the limitations and challenges faced during the internship period. In the second chapter, it focuses on the organization where I did my internship. It illustrates, the firm's mission, vision, objectives and core values. In this part a detailed market and industry analysis was done from ACNABIN's perspective by using different analytical models. Furthermore, in the third chapter the main project part of this report is outlined that explores the 'Underlying Causes of Individual Tax Evasion in Bangladesh. It started with identifying a problem by exploring credible literatures. By exploring several literatures, the topic and its variables were decided. From that, research objective and questions were formed which lead to building hypothesis for the study. To test the hypothesis and convenience-based survey was conducted on tax consultant of ACNABIN chartered accountants. Accumulated data were structed accordingly and analyzed by different statistical tools like IBM SPSS and Smart PLS. Using those tools results and findings were interpreted that shows independent variables has close interaction with dependent variables. The essence of the study is that it fulfills the identified purpose of this study by finding interaction among variables. Moreover, it also outlined the implication and limitations of the study to guide future study and exploration on this issue.

Keyword: Tax evasion, Loopholes, Complexity, spending, Amnesty, Close Tie, ACNABIN, Bangladesh, Consultant. Tax payer, Officials.

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TDS: Tax Deducted at Source

VDS: VAT Deducted at Source

VAT: Value Added Tax.

WTR: Withholding Tax Return

SRO: Statutory Regulatory Orders

NBR: National Board of Revenue

GST: Goods and Service Tax

CA: Chartered Accountant

ICAB: Institute of Chartered Accountants of Bangladesh

AI: Artificial Intelligence

IFRS: International Financial Reporting Standards

GAPP: Generally Accepted Accounting Principles

NGO: Non-Governmental Organization

UN: United Nation

USAID: United States Agency for International Development

UNDP: United Nations Development Program

FAO: Food and Agriculture Organization

UNCHR: United Nations High Commissioner for Refugees

ERP: Enterprise Resource Planning

ESG: Environmental, Social, and Governance

GDPR: General Data Protection Regulation

CLARA: Smart Audit Platform Developed by KPMG

Chapter-1

Overview of Internship

1.1. Student Information

Name: Md. Mahid Hasan

ID: 19204014

Program: Bachelor of Business Administration (BBA)

Major: Accounting

Minor: Finance

1.2. Internship Information

1.2.1. Company Information

Company Name: ACNABIN Chartered Accountant

Department/ Division: Taxation and Corporate Affairs

Address: BDBL Bhaban (level-13), 12 Kawran Bazar C/A, Dhaka-1215.

Tenure: 9th June 2024 to 8th September 2024.

Logo:

1.2.2. Internship Company Supervisor's Information

Name: Md. Golam Yusuf

Position: Senior Assistant Manager, Taxation and Corporate Affairs Department, ACNABIN Chartered Accountant.

1.2.3. Job Responsibility:

At the period of my internship in ACNABIN chartered Accountants, I was appointed in Taxation and Corporate Affairs team. I worked with a Consultant team who provides professional service to Wipro IT Services Bangladesh Limited a withholding entity as per section 140 of ITA 2023. There I had a chance to learn about preparation of monthly withholding tax return & VAT return (VAT deducted at source). There were a broad range of other task related to these two main services that I worked on. To illustrate,

I. At the beginning of a month I had to collect the information sheet from Wipro IT services Bangladesh Limited. The information sheet contains information of the previous month's purchases for which they had made the payment & deducted tax under part 7 of ITA 2023. Then I had to check whether the information provided by the client is consistent with relevant section 86 to 139 of ITA 2023 since these are the section related to deduction at source that defines an economic transaction and provides rates that should be followed to deduct at source. If there is no contradiction with the law then I had to prepare challan for bank payment.

II. After preparing challan I had to prepare TDS certificate as per section 145 of ITA 2023. Then I had worked under my supervisor to prepare Monthly withholding Tax return under

Rule 15 of TDS rule. Finally, the WTR, TDS certificates and relevant challan documents were submitted to the Tax office under Tax Zone-15.

III. Similarly, I had an opportunity to work on VAT return for monthly VAT deducted at source. Likewise, the WTR the client sends information sheet with relevant Mushak 6.3. I had to check the consistency of information sheet regarding rates and service type as per the SRO No. 240-AIN/2021/163-Mushak. After that, if there was no inconsistency, I had to prepare the challan for bank deposit & VDS certificates or Mushak 6.6 as per Rule 40 Value Added Tax &Supplementary Duty Rules, 2016. Furthermore, I worked with my seniors to prepare VAT return or Mushak 9.1 as per Rule 47 of Value Added Tax &Supplementary Duty Rules, 2016.

IV. Other than these routine offices work I had dealt with the client as well. For instance, all the documents that were prepared by ACNABIN Chartered Accountant is for the client. So before submitting those WTR and VAT return I had to go to the Wipro's office to acknowledge those documents and to communicate the monthly obligations that will be submitted to the government treasury as a withholding entity.

1.3. Internship Outcomes

1.3.1. Contribution to the Organization:

I had worked mostly jobs that are related to taxation service. Preparing Monthly Tax Deduction at source return is a lengthy process. There is a proper defined process that are to be followed for the fulfillment of the obligation. I had worked through those process starting from scrutinizing the purchase information sheet provided by the client to preparing the monthly WTR return. Similarly, I worked through the process preparing monthly VAT return. Each of those returns fall under different law and there are relevant rules and Statutory Regulatory Order that I had to complied with throughout the process. I had to go through relevant sections and rules to add value to the organization while ensuring their opt professionalism. Furthermore, I had to go through the mathematical calculation to ensure that there is no inconsistency with regard to a particular return and relevant sections and rules provided by the law. Any mathematical error in a return would mean non-compliance to the relevant law might result future hassle a penalty as well. Therefore, working through the process was a crucial job to perform at the organization.

1.3.2. Benefits of the internship:

I. **Gained real world experience:**

During my undergraduate period at the university, I was learning the theoretical aspects only. In other word it was about obtaining information. However, during my internship period I had learned how those knowledges is being used in real life in an organization to obtain economical goals. In my university I learned about accounting and financial statements. In my internship period I found the real use of those financial statements in the form of TDS return and VAT return. I have learned about the practical implementation of accounting data in a business entity.

II. **Organizational Culture:**

I have learned about the organization culture and how to utilize human resources within that culture. The culture of Tax and Corporate Affairs were completely different from the culture of Audit and Assurance department. Each have separate procedure and practices even though they are of the same organization. For instance, audit & assurance department works mostly outside at the client's premises whereas Taxation department works at the home office. Each department need to master on different set of laws and rules. For example, audit and assurance personnel would have to be master of International Financial Reporting Standard and International Accounting standard and other audit related by laws whereas, taxation department have to be master on Income Tax Act, Value Added Tax and Supplementary Duty Act and related rules, SRO'S etc.

III. Relevant laws:

Since in Taxation department every action is determined by laws, I have gained some good understanding of relevant sections and rules that were frequently used during my internship period to prepare the returns.

IV. Improved interpersonal skill:

During my internship period I had to work within a well-developed professional culture. I had to worked with co-worker, seniors and the clients. It improved my professional communication skill and professional behavior.

V. Carrier goal:

During my internship period I get to know more about Chartered Accountancy Profession. As an independent profession it provides ample opportunity and in future, I would want myself in this independent professional sector.

1.3.3. Challenges and Issues Encountered During the Internship:

I. **Time Management:**

Time Management was the biggest issue that I had suffered in my internship period. Most of the time I had to work over time to cope up with my new responsibilities. For that reason, I had a hard time during that period. It was because of the sudden change of my familiar environment and routine.

II. **Adjusting new Environment:**

From the university campus the sudden change to professional life was not a easy thing to cope up. As a fresher I had to remain very conscious about my surroundings to ensure professional behavior every time. However, as time passed, I get used to it and things became to run smoothly within the new culture.

III. **Miscommunication with client:**

During my internship period the Wirpo IT had changed its signatory who used to sign all the returns and relevant documents before submitting to government treasury. Due to miscommunication with the new signatory I had a hard time to get the acknowledgement from the client before submitting since the time has been specified for submission of both the returns as 15^{th} day and 25^{th} day for VAT return and WTR of the subsequent month.

Recommendations:

By now I am quite familiar with the work culture of ACNABIN Charted Accountant and for individual who are highly passionate, hardworking and loves to work in a challenging environment is a good place start their professional journey. The work environment in that organization is very wide, open and challenging at the same time due to the compliance of different laws and regulations. For these reasons the work experience in a CA firm like ACNABIN is very diverse that gives a good impactful exposure of professionalism.

Chapter-2

2.1. Company Profile:

Name of the Company	ACNABIN Chartered Accountants
Legal Form	Partnership
Industry	Accounting & Finance
Date of Commencement	February, 1985.
Founder	ABM Azizuddin, ASM Nayeem, Iftekhar Hossain, Mohammad Nurun Nabi, ATMA Bari, Anwaruddin Chowdhury, HM Abul Kalam Azad
Headquarters	BDBL Bhaban, Level-13 & 15, 12 Kawran Bazar Commercial Area, Dhaka, Bangladesh
Branches	2
Key People	Managing Partners
service	Professional / Consultancy
Website	https://www.acnabin.com/

2.2 Overview of the organization

2.2.1. Overview of ACNABIN Chartered Accountants:

ACNABIN chartered Accountants is a prominent CA firm in Bangladesh established in 1985. Since then it has evolved over time and became one of the largest CA firm in Bangladesh with about 500 professionals with wide range of experience and expertise. ACNABIN is also an independent network member of Baker Tilly International that allows them to ensure quality and standard of assurance, tax consultancy and other professional services. At the beginning the firm had started with seven partners however, currently there are eight highly experienced partners who are leading the firm. The partners possess extensive experience, having worked both domestically and internationally, collaborating with global consultants and organizations that operate locally and worldwide. ACNABIN has been delivering market surveys, management reviews, and consultancy services to clients across various sectors, including industry, trade, finance, microfinance, education, health, social services, and agriculture. Their clientele spans the private, public, and NGO sectors throughout Bangladesh, as well as numerous UN agencies and other development partners. Back then ACNABIN was had an affiliation with global accounting powerhouse the Arthur Anderson until it was closed in 2002.

Moreover, this affiliation had given ACNABIN a solid base for practicing accounting and audit procedure apart from the controversy of Arthur Anderson. At that many of the ACNABIN’s managing partners went to America to take training on accounting and audit procedure and to be up to date on industry knowledge. Those opportunities make them able to build a renowned and reliable accounting firm in Bangladesh from very scratch. The reputation of the international affiliate partner allowed ACNABIN to build significant relationship with global accounting bodies and organizations. For instance, their relation with BDO international and USAID for inspecting and performing financial audit of their funds receipt in Bangladesh. Additionally, it is registered with major international bodies such as the World Bank, Asian Development Bank, UNICEF, UNDP, ILO, UNHCR, FAO and other UN agencies. The firm is also authorized by the European Commission/European Union and the Canadian International Development Agency to conduct financial audits of their fund recipients.

2.2.2. Types of services offered by the firm:

ACNABIN is a comprehensive service provider with a strong emphasis on specialized services. Their offerings are dynamic and fully customized to meet the evolving needs of their clients. They consistently ensure that their services are of high quality, addressing local requirements while being reasonably comparable to international standards. Key services are

I. **Assurance service**

Under assurance service they mostly provide statutory audit, Independent review of financial statements, NGO audit, review engagement, internal audit, management audit etc.

II. **Business process Outsourcing**

ACNABIN offers business outsourcing solution naming accounts payable processing, payroll tax processing, General ledger and financial statement processing, supporting day to day transaction processing are prominent.

III. **Corporate finance advisory services**

They provide a wide range of services here like Due diligence service related to accounts, ledger, tax. They also provide services for any kind of merger and acquisition, transaction advisory, transaction advisory, valuation of business, fund raising.

IV. **Risk and advisory services**

They provide this solution consider of internal and external risk like business advisory, forensic services, government risk and compliances, management assurance, IT advisory etc.

V. **Strategic ESG solutions (sustainability advisory)**

Here they provide service to make big shifts like strategic support, managerial support, operational support etc.

VI. **Tax and regulatory services**

A wide range of services includes direct tax, indirect tax, mergers and acquisition tax, regulatory tax, special advisory and transfer pricing.

2.2.3. Key Customer:

Since its inception, ACNABIN has been offering market surveys, management reviews, and consultancy services to its clients like

I. Manufacturing industry
II. Service industry
III. Private limited companies

IV. NGO

V. Education industry

VI. Health industry

VII. Microfinance institution

VIII. Banking and financial institutions

IX. Public limited companies

X. Some of UN agencies (USAID, World Bank, UNICEF, European Commission etc.)

2.2.4. Mission, Vision, Objectives and values:

I. Vison

We go beyond the traditional auditor and client relationship by becoming your Trusted Business Advisor. (ACNABIN, 2024)

II. Mission:

We adhere to the strictest principles of client confidentiality. The sensitive and competitive nature of proprietary information and the maintenance of trust-demands it. We have built our success on such principles. We do our utmost to earn and keep client trust. (ACNABIN,2024)

III. Objective:

We want to become trusted leader in the market ensuring highest level of professional ethics and competencies. Our client relationships are more than just business partnerships. We endeavor to understand the person as well as their business and build a vibrant and long-lasting relationship.

IV. Values:

Their culture is deeply rooted in the core values of Baker Tilly International, which guide their actions and decisions every day. These values emphasize integrity, collaboration, and excellence, ensuring that they consistently deliver high-quality services to their clients**.**

We make your business our business — and we're alongside you through the crests and valleys. (Baker Tilly,2024)

ACNABIN'S mission, vision and values emphasis more on a client centric approach for their services. They provide personalized attention and meet their business challenges with ease and finesse without compromising their independence wherever required. Their relationships with clients extend beyond mere than business partnerships. They strive to understand both the individual and their business, aiming to cultivate vibrant and enduring connections.

2.2.5. Board of partners:

The top management of ACNABIN chartered Accountants is a board of partners that consist eight members.

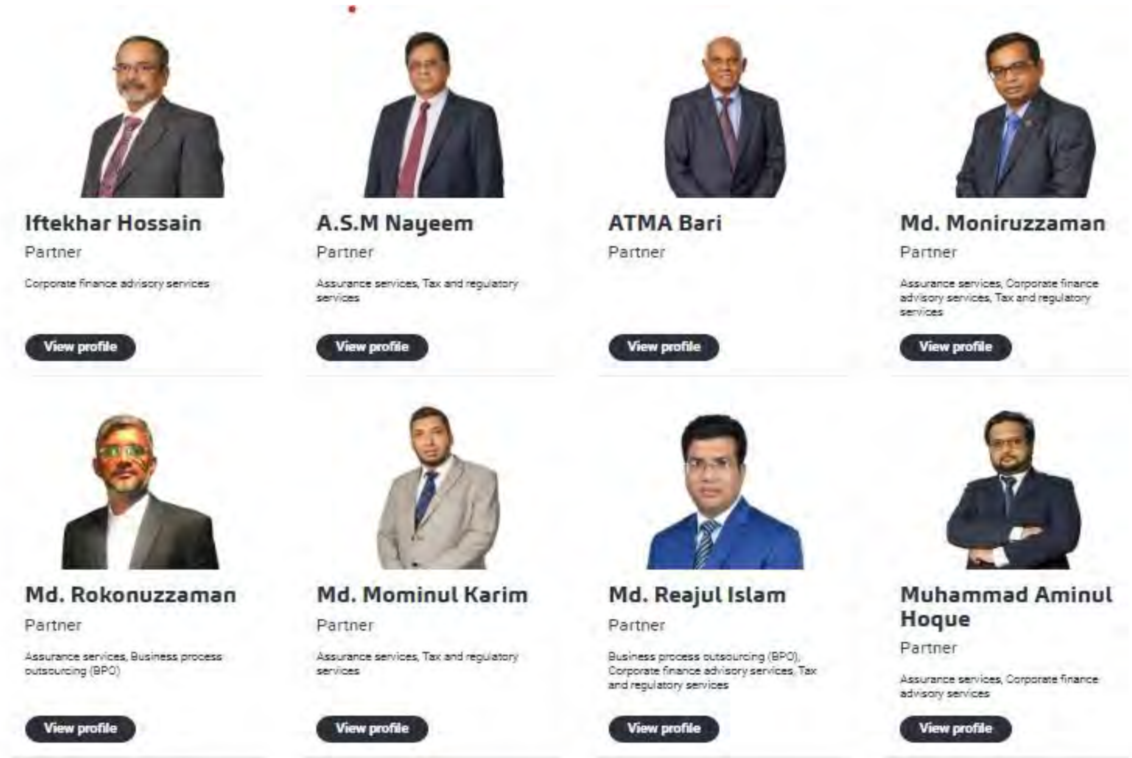

Figure 1: partners of ACNABIN chartered Accountants

2.2.6. Overview of my client in ACNABIN chartered Accountants (Wipro IT Services Bangladesh Limited):

Wipro IT services Bangladesh Limited is a daughter of Wipro limited (India). It is a leading global information technology, consulting, and business process services company has successfully completed its fourth year of operations in Bangladesh. During this period, it has established itself as a prominent player in the country, distinguished by its technological leadership, exceptional delivery standards, and extensive global experience in supporting the transformation strategies of its key clients. In 2017, Wipro entered into a five-year contract with Grameenphone for IT infrastructure and applications managed services. This strategic partnership aligns with Wipro's vision to localize its operations, expand its technological and domain presence, and explore new business opportunities in the region.

2.3. Management practices

2.3.1. Leadership & Decision Making:

ACNABIN chartered Accountants is a partnership firm that is run by a partnership deed among the partners. Here, the board of partner holds the ultimate power of decision making. Decision-making in the firm often involves a collaborative approach, where partners and senior directors work together to evaluate options and make choices. Moreover, they also empower employees at all levels to contribute to decision-making to enhance the firm's overall performance. By creating an environment where team members feel valued and heard, they foster innovation and improve client service. Ethical considerations are very crucial there, as decisions must align with professional standards and promote trust and transparency.

2.3.2. Organogram:

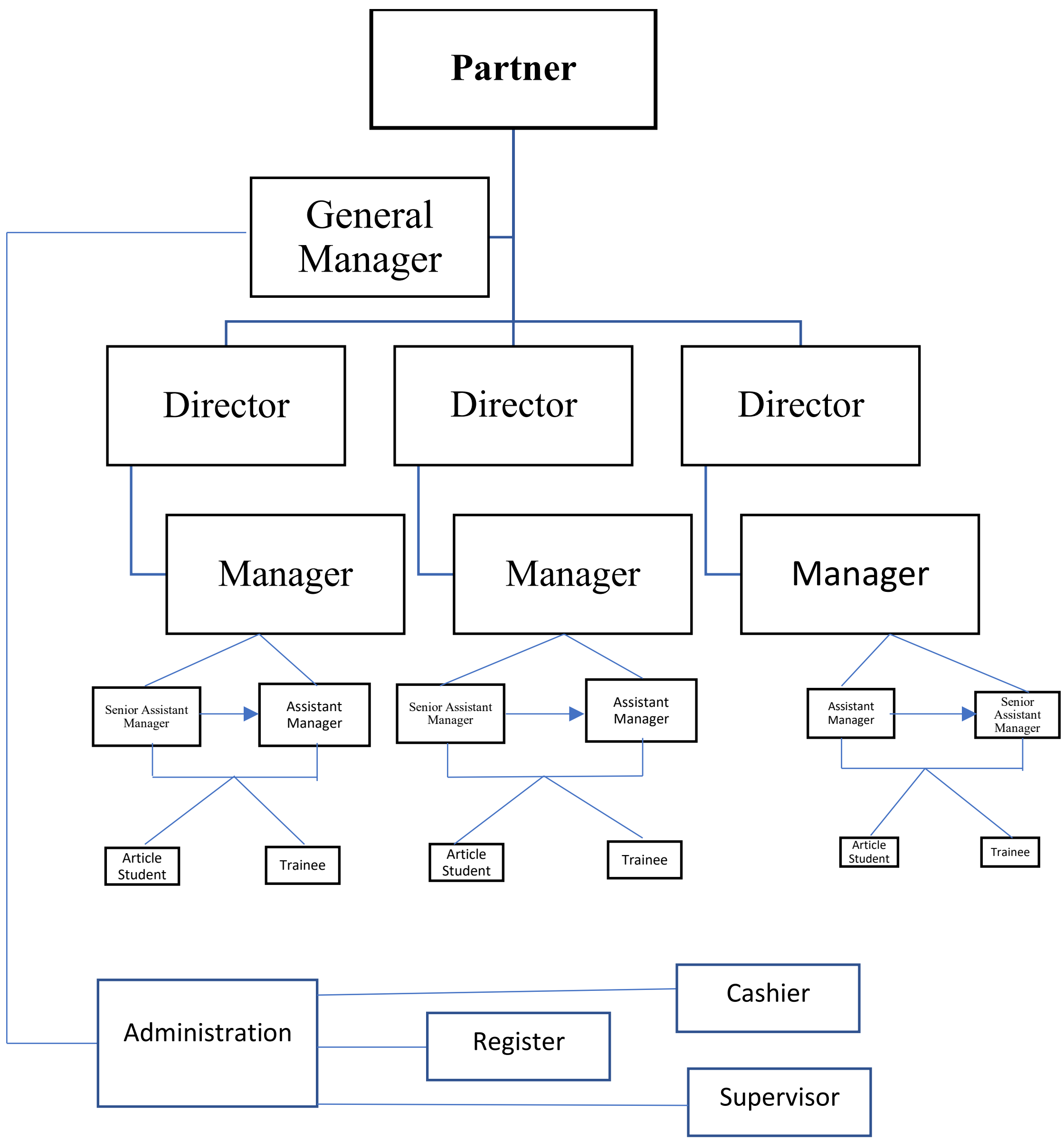

Figure 2: Organogram of ACNABIN

2.3.3. Recruitment & Selection:

ACNABIN attract and retain the most talented and adaptable employees' individuals who not only appreciate the significance of their work but also understand its role in maintaining a balanced lifestyle. The recruitment process is very rigorous in the firm. Interested students have to met the minimal standard of previous academic performance to apply for an article program. Once they submit their Curriculum vitae it goes through an initial screening process. After that, the shortlisted candidates are called for a written test. Then qualified candidates get a call for interview before an experienced panel. However, those who apply for the post of employee like manager post for a qualified chartered accountant do not sit for any written test. Their CV goes through a screening and shortlisted candidate gets call for an interview. Based on that oral examination employees get selected.

2.3.4. Training and Development:

In ACNABIN they have different training and development sessions. For example, in tax and corporate affairs department they have training session on Income tax act, Value Added Tax and supplementary Duty act, accounting related laws and regulations. The training session is conducted once in a week. Similarly, the other departments have their own training and development sessions as well. Furthermore, there are some obligatory training and development sessions that every article student has to take on audit and assurance, English language for one month. Purpose of these training is to make the students more familiar with laws standards and relevant regulations. Enhancing presentation and communication skills. To make the students understand the basic procedure of planning and completion of audit program.

2.4. Marketing Practices

2.4.1. Marketing strategy:

ACNABIN is an independent member of Baker Tilly which is among the top ten CA firm in the world. The main medium of first-time engagement with potential clients is via their website that provides details of their firm, their services and values that they provide. CA firm like ACNABIN mostly depend on building customer relationship which allows them to attract clients for long term.

2.4.2. Target customer & Positioning strategy:

The target customers of the firm are public and private limited companies of different sector like manufacturing, service, health, education, financial institutions etc. They also provide service to NGO's and international bodies. CA firms mostly positions them on the reputation of their honorable partners. For example, each partner of ACNABIN chartered Accountants has core expertise on different services. In the professional world they are known by their expertise and they use their reputation to bring clients to the firms. However, there are some legal aspects of bringing clients for statutory audit but for other services it is the reputation of the partners for their customized service model in the most efficient and effective way is the main positioning strategy for a CA firm like ACNABIN Chartered Accountant.

2.4.3. Product/service development:

ACNABIN always focus on adaptability and innovation. It also a by-law of Institute of Chartered accountant that Chartered Accountants have to take professional improving sessions to be up to date with new procedures and challenges. The board of partner have scheduled meetings with directors who deals with the clients most to improve the service quality and standard as time progress. Also, observing competitor is another common practice by which they develop their services over the time.

2.4.4. Marketing Channel:

Main marketing channel for ACNABIN is their official website and LinkedIn by they portray their expertise, values and details of services that are available.

2.4.5. Advertisement:

ACNABIN is not allowed to advertise in the conventional way as it is prohibited for a CA firm by the Chartered Accountancy Act.

2.5. Industry and Competitive Analysis

Industry and competitive analysis help to evaluate company in terms of key decision-making purpose based on its macro and micro environment.

2.5.1. PESTEL Analysis:

- **Political**
    - **Impact on industry:** In a developing country like Bangladesh where political influence determines almost everything have significant impact on the Audit & Taxation service industry. For instance, many of the banks were backed by the central bank in the previous government era. However, after fall of the previous government audit quality and standard faced questioned since many believe those banks were having going concern issue that audit firms compromised in their report.

Government instability means that government policy regarding certain industry to keep them alive will change as per the preference and policy. Which directly affects this consultancy industry as well.

- **Implication On ACNABIN**: Audit and consultancy firm like ACNABIN have direct impact of political condition. For example, Islami Bank PLC which was under a large group of company and had the back of ruling government beneficiaries and central bank. However, change of government and its operation policy has raised the going concern issue of the bank which is questioning directly ACNABIN'S audit procedure and practices. Government influence has direct impact on corporate governance in Bangladesh which was quite evident after the fall of previous government. Therefore, maintaining standard for audit and valuation firm is a challenging thing.
- **Response:**

  - For audit and accounting firm there is a proper process of engagement activity. Audit firms should consider those principles for example, Firms ability, clients corporate governance and any other ethical requirement like maintaining objectivity.
  - The ICAB by laws allows firms to ask for third party assistance to maintain independence.
  - Audit firm should follow the provisions regarding proper disclosures in their report for transparency.

- **Economic**

- **Impact on Industry:** As the economy grows business grows more steadily and increases operation. New business opens and size of the economy increases. Same way, economic downstream affects the economy in the negatively. Moreover, inflation, interest rate determines business cost and revenue, demand and supply. Which ultimately determines economic growth. When economies grow businesses grows and audit and accounting firms gets significant amount of job to do.
- **Implication on ACNABIN:**
  - As the economy grows ACNABIN will have more option and there will more evaluation in the engagement phase to choose clients with lower risk.
  - considering the current situation and political turmoil, many businesses having going concern issue. Therefore, there is a risk of intimidation for firms like ACNABIN to retain clients.
  - Inflation increases cost of operation therefore risk of intimidation is higher.
  - With inflation cost of operations for businesses will also increase. With that it will affect the audit and accounting fees if not, then reduce the quality of report.
- **Response:**
  - Diversifying its services other than audit and accounting for example, business process evaluation, assistance in designing control system while maintaining independence, taxation consultancy etc.
  - Increase training and development activities to raise the standard of human resources to perform effective and efficiently in tough economic situation.

- **Social**

    - **Impact on industry:** Maintaining strong social and professional reputation has become more crucial. In this time when social media publication has become very widespread it can affect the reputation of a firm anytime. Work force demography is also shifting drastically. For instance, younger professionals prefer more work-life balance and flexible working environment. It became crucial to attract young talent and retain them for sustainable growth of the firm.
    - **Implication on ACNABIN:** For ACNABIN having a robust and strong social and professional impression is very vital than ever before. In today's world where information travels faster than light they have to be very cautious about their positive influence in the industry and they have to align their firm's objectives with those of young talent's attitudes and aspirations. For instance, ACNABIN's culture of providing quality service and to produce future accountants which is 2nd most chartered accountant producing firm in the country. Furthermore, young generation is very dynamic in their habit and attitudes therefore providing a platform that would allow professional work and personal life balance to meet career goal to retain young talent and ensure firms sustainability.
    - **Response:**

        - ACNABIN have to plan and develop sound process of professional program and training program that would help them meet organizational goal and career goals of the aspirants.

- They have to create an active effort of showcasing their expertise, their success stories from clients, and interact with the community by utilizing different media outlet.
- They have to make sure that their workplace environment values inclusivity where employee and student are supported and appreciated as per their need.

- **Technological**

  - **Impact on industry:** As there is a rise of AI, big data and machine learning the audit and accounting profession is transforming significantly. Implantation of information technology and data base management system in audit and accountancy firm has made it more essential to ensure cybersecurity to comply with ICAB's by law of confidentiality. Not only it is a legal requirement but also to maintain trust and reliable image in the industry is very crucial for sustainability. Therefore, it has become a need of the moment to invest in robust cyber system and staying updated on latest threats and opportunities. Moreover, it has also become a need to implant modern accounting and audit software to maintain reliability and quality of work in the industry as it would enhance procedure, reduce error and increase productivity. Therefore, designing and training employee and students on these modern tools and techniques is very important to reap the opportunity and take safeguard against the threats.
  - **Implication on ACNABIN:** Advancement of these cutting-edge technologies has made it easier and simpler to analyze complex data, provide insights and predicting trends. Using these modern auditing tools ACNABIN can increase their accuracy

of audit work and save valuable time in securitizing via traditional methods that is prone to error. For instance, big data analysis can process a vast amount of data that would help them to find insight from revenue system of a client to make prediction. With that, it also poses threat of security where they have to ensure strong cyber security as they would deal with client's sensitive information. For these they have to use advance encryption system and multi factor authentication system along with physical security to prevent any sort of breach. Continuous training program has to be in place to comply with ICAB's condition of continuous professional development.

- **Response:**

- ACNABIN have to ensure a good amount in developing modern tools that would be able to utilize AI and big data system to simplify data analysis and acquire significant deeper and insights that would help them to use predictive analytics. It will improve audit accuracy and efficiency. For instance, modern audit software CLARA used by KPMG for audit planning, designing and substantive procedure etc.
- ACNABIN have to employ modern day advance audit and accounting software and tools that would help to build automation process to simplify task, minimize errors, and increase productivity by managing repetitive task. For instance, the ERP system of ACNABIN that is currently being used for human resource management, payroll system and invoice raising.

- ACNABIN have to ensure that are implementing updated advanced encryption and cyber security system to safeguard their sensitive client data from any kind of cyber threats.
- They have to ensure that they are making sufficient invest to explore, develop and adopt new technologies and methods that would enhance and improve service delivery and security.

- **Environmental**

  - **Impact on industry:** Due to fast pace travel of information now a days it has become very crucial to adhere that any organization must comply to maintain their image in the industry. For this it puts extra pressure to auditors to securitize required information and make proper disclosure about environmental implication with those of financial disclosure. Therefore, auditors have to have expertise in sustainability reporting and assurance standards. They have put extra effort to make and publish their opinion about uses of resources by a company since resources are limited and there is a growing interest about sustainable resource planning.
  - **Implication on ACNABIN:** It is a duty of the management of a company to disclose any sort of environmental implications of their organization. However, auditor's must have built their expertise in sustainability reporting and assurance standard to make their opinion as it is important to ensure adherence to the environmental regulations since stakeholder's consider this information in their decision making. Therefore, ACNABIN's dedication to environmental disclosure would add to the quality of their work and increase their reputation in the industry.

- **Response:**

  - ACNABIN have to make sure that there is a continuous training program for their audit staff on sustainability reporting and assurance process on ISO 14001, waste and wastewater management laws, as well as environmental statistics and accounting practices for handling clients' environmental disclosures.
  - Any time when there is a complexity regarding this sort of issue they should consult with experts or lawyers in environmental regulation to strengthen the firm's capabilities.
  - The firm itself can contribute and promote practices in their work like adoption of eco-friendly practices in the office, like minimize paper usage, recycling, and using energy-efficient systems.
  - They have to design and develop customized audit and advisory solutions to address each client's specific environmental challenges and opportunities. For instance, they can conduct an audit on both the management and the environmental compliance to make their opinion about management's effort to implement environmental regulations and how much they are complying.

- **Legal**

  - **Impact on industry:** Legal factors play a significant role in auditing and accounting industry since they have to adhere and enforce standards like IFRS and GAAP for financial reporting, ensuring consistency and transparency. ICAB has also developed its law guideline that gives a framework for audit and accountancy firm to prevent fraud and ensure accuracy while maintaining independence.

Assessing internal control system and risk management system is a legal requirement for auditors before making their opinion. Furthermore, different laws and acts has direct connection with audit accountancy firm like the companies act, contract law, employment law, data protection law like GDPR to adhere the ethical requirement of a CA firm.

- **Implication on ACNABIN**: The purpose of a audit firm is to provide accurate and transparent audit report for this ACNABIN need to adhere IFRS, GAAP, and ICAB guidelines to deliver accurate and transparent audit reports. To boost their credibility in the industry they have to maintaining independence and integrity to prevents frauds. ACNABIN must evaluate clients' internal controls and risk management processes to ensure that they meet the governance standards to enhance transparency through a thorough verification of disclosures. Further, they have to ensure their own firm's policy about adhering laws like labor law and guidelines from ICAB and they have maintained a robust cybersecurity system to ensure data protection laws are adhered. Lastly, they have to be conscious about litigation risks as they publish their audit report by proper documentation and following the ethical standard. .
- **Response:**

  - ACNABIN should provide and develop ongoing training program for their staff and students on IFRS, GAAP, and ICAB guidelines to ensure compliance and quality, that would result a better control for accuracy and transparency of audit reports**.**

- They should scrutinize through information to ensure accuracy, completeness and cut-off of every client's disclosures through a thorough verification process, by maintaining open communication with clients about their disclosure obligations.
- They have to maintain proper documentation as per ISA 230 to keep a detailed and accurate documentation of audit processes and findings to make audit opinion and use those in case of future obligation.

2.5.2. SWOT Analysis:

SWOT analysis is an effective tool for making strategic decisions in a smart way that help the organization to grow and thrive. With the help of this analysis companies can make solid plans, allocate resources wisely, and manage risks in a better way. This analysis highlights potential problems and areas that need improvement and enables organizations to make proactive plans to handle challenges and invest smartly.

I. Strength:

Brand Visibility: ACNABIN is providing its service to industry for over the past 39-year and it was built a strong reputation in audit and accounting sector. Fostering its commitments to integrity and accuracy it is now one of the most trustworthy and dependable accountancy firm in the country. With its consistent practice it has become a source of confidence and quality in the market for its clients.

Global Affiliation: After Arthur Anderson ACNABIN has become an independent member of Baker Tilly International. These kinds of international affiliations, enables

ACNABIN to provide its team with valuable opportunities for international training and access to the cutting-edge information and knowledge that allows them to stay in the front in terms of service quality and reliability.

Extensive Services: Other than statutory audit ACNABIN provides a comprehensive set of high-standard accounting, assurance, advisory, and consulting services. They always ensure that their services are as per the need of their individual clients while mimicking international benchmarks in terms of quality.

Industry Expertise: Over time, ACNABIN has honed its expertise in audit and accountancy by gaining deep client insights, maintaining constant client engagement, understanding both local and international business environments, anticipating regulatory changes, leveraging IT support, delivering value-driven services, and utilizing cross-functional teams.

Progressive Technologies: Prioritizes to progress with time for digital transformation, integrating advanced technologies and sophisticated data analytics into their operations.

II. Weaknesses:

Resource Constraint: As a partnership firm it has financial resource limitation. Furthermore, there is a human resource limitation as well. For example, since the success rate in Chartered Accounting studies is very low many of its managers are not qualified Chartered Accountant but they play a vital role in preparing audit report.

Attrition Rate: As most of the personnel in ACNABIN is article students therefore when those students complete their mandatory requirement term in the firm, they left the position. For this reason, there are many beginner students who work in crucial reporting projects.

Regulatory Changes: As an audit and accounting firm it has to work within the legal framework. Therefore, over time if there is any change it has to design proper training program for its personnel.

III. Opportunity:

Economic Expansion: Bangladesh's economy is one of the fastest growing and with this it needs more qualified chartered accountant. Therefore, there is big market for ACNABIN to serve.

Technological Advancement: Adopting cutting-edge technologies can substantially improve the delivery of services and boost operational effectiveness. For example, in analyzing risk, designing substantive procedure etc.

Diverse market: Since ACNABIN has many seasoned professionals they can serve a diverse market other than statutory audit. For instance, taxation, internal control system management, business process reorganization etc.

IV. Threat:

Cyber threat: As reliance on digital technology is increasing, the risk of cyber-attacks increases. It's vital to protect client data and have strong cybersecurity to prevent breaches and keep client trust and adhere the principle of confidentiality.

Economic Recessions: At the time of economic uncertainty it can have significant impact on the businesses of the country which will affect clients' financial stability, resulting in a reducing demand for ACNABIN's services. When these sorts of calamities hit companies and businesses tend to reduce spending on less-essential services, such as professional advisory assistance as survival becomes their main priority.

New Technology: As new technologies are emerging like the AI based system it may reduce the potential demand of traditional consultancy services. For instance, an in-house AI search engine would allow business entities to seek specific legal advice from the engine that would highlight all the related legal provisions in one time on the screen. Further, data security and adhering to the principles of confidentiality is under great threat than ever before.

Regulatory Risks: Additionally, there is a constant evolution of legal provisions which can raise compliance expenses and make the operation more complex. It also requires resources to be up to date about changes and adopt those instantly in their service procedure and train human resource according on those updates continuously.

2.5.3. Porter's Five Forces Analysis:

Porter's Five Forces analysis helps businesses to understand and comprehending the competitive landscape in which operate. Using this method businesses can examine factors such as rivalry in the industry, threats posed by new comers, the bargaining power that the suppliers and customers possess, and the potential impact of alternative products or services.

I. Bargaining Power of Suppliers

Suppliers of ACNABIN are those of technological firms who provides cyber systems, external consultants like the lawyers and legal advisors who provide legal services in case suits and litigation and several other professional services. Due to the nature of ACNABIN's need they would face a moderate level of bargaining power from their suppliers as they would have flexibility from choosing among multiple vendors to seek favorable terms. However, in terms of cutting-edge technology if ACNABIN require any sort of specialized service it may face significant negotiation power in Bangladesh since this sector is not so much developed yet. Therefore, they have to maintain a strong collaboration with their supplier to ensure effective delivery.

II. Bargaining Power of Buyers

Clients in the professional services industry possess significant power. They can easily switch service providers based on factors such as cost, quality, and service offerings. To manage this, ACNABIN must continuously offer exceptional value, maintain good client relationships, and deliver tailored solutions to meet individual client needs. Providing high-quality services and demonstrating a comprehensive understanding of clients' businesses can help retain clients and reduce their bargaining power.

III. Threat of Substitutes

The threat of alternatives for ACNABIN's services is moderate. Although there are other options available, For instance, internal accounting teams or automated financial tools. However, the specialized nature of professional advisory, audit, and tax services makes total replacement improbable. ACNABIN has to highlight the distinct value and expertise that it has to offer, while ensuring clients understand the advantages of professional services over possible substitutes.

IV. Industry Rivalry

The professional services sector is marked by fierce competition as the barrier of entry in low. ACNABIN contends with strong rivals, including the Big Four Deloitte, PwC, EY, and KPMG affiliated firms, as well as numerous regional and specialized firms. Also, it competes with other regional professional service provider for instance, ACE Advisory for providing services related taxation. To get a competitive advantage, ACNABIN must consistently innovate, diversify its service offerings, and strengthen its brand image. Strategies such as adopting cutting-edge technologies, broadening the range of services, and upholding high service quality standards are crucial to staying ahead in this competitive market.

V. Threat of New Entry

The risk of new players entering the professional services industry is significant. Despite the entry barriers, such as the requirement for specialized expertise, certifications, and the need to build trust with clients, new firms can still emerge. For example, in February 2024 8 new firm got listed (TBS, 2024). Technological advancements, niche specializations, and unique service offerings can enable newcomers to penetrate the market. However, well-established firms like ACNABIN gain from their long-standing reputations, extensive networks, and comprehensive service offerings, which can provide an advantage over the potential new entrants.

Chapter- 3

Underlying Causes of Individual Tax Evasion in Bangladesh

3.1 Introduction:

Taxation is important because it allows the government to finance its initiatives, redistribute wealth, and control the economy by raising money for the general benefit and protection of its population. Tax is an important element which is, proportional contributions from individuals imposed by the legislative authority for the sustenance of the government and various private necessities. In the taxation system of Bangladesh there can be seen a significant dependence on indirect taxes, such as VAT and customs duties, to illustrate, collectors of the current tax system are less aggressive and less effective in extracting income from higher-income individuals and businessman (Raihan, 2024). There is a need of proper tax structure reform that would enhance reliance on progressive direct taxation, which would make the system both fair and more efficient. There is a strong correlation between tax revenue collection and economic growth in every nation, primarily depends on effective tax planning, skilled and effective tax administration with efficient tax collection systems (Shafiqul et al., 2022).

Further, the tax revenues is a great concern as of the primary and significant sources of income for governments in most nations. Also, the collection of appropriate amounts of tax revenues can aid in boosting the economy by reducing reliance on government loans and international aid and grants. The constitution of People's Republic of Bangladesh only allows the government to impose tax within the scope of taxation as per section 152 (1) (Alam & Mohiuddin, 2019). This gives the government the authority of deciding on taxation policy in Bangladesh in terms of tax rate, duty like local special or general. Currently, the global tax practices show a notable difference across nations, especially between developed and developing nations. In particular, affluent countries now gather taxes on a much higher proportion of their national output compared to developing nations. Affluent countries generally rely more on income taxation to achieve this. On the other hand, in developing countries the trade taxes and consumption taxes gets the greater importance (Rittika, 2023).

Moreover, many of the developing countries have a tax system that is characterized by structures that is significantly different from global standards, ineffective policy management, lower level of compliance, and insufficient resources for tax administration. The Economic conditions also influence the variability in revenue collection. To boost the economic development in those developing countries it is very crucial to manage tax evasion. Proper governance is a challenge for the tax administration with that corruption hinder efforts to enhance revenue collection. The widespread practice of bribery in the country and inefficiency diminished the trust in the tax system which in result reduced compliance. To tackling these issues necessitates significant anti-corruption measures backed by a transparent practice and a commitment to sound governance system. Bangladesh is one of the fastest growing country with a tax-to-GDP ratio as low as 7.5 percent which is considered among the lowest globally. Even with its growing size of economy it is unable to sufficiently invest in essential social sectors such as health, education, and social protection. Moreover, in Bangladesh, corruption has become as a norm ranking 150 among 180 countries in corruption index, with an extensive series of scandals in dealings, agreements among political leaders, parties, businesses, bureaucrats etc. These includes the both kind of autocratic military regimes and democratic governments, which have contributed to widespread practice of corruption (Trading Economics, 2023). Along with that, tax evasion in Bangladesh represents a significant aspect of this corruption and has been a continuous concern for both the government and civil society of the nation. Though, there is a significant requirement of an effective, efficient, fair and transparent tax administration system for any country's well-being, Bangladesh's tax administration is often considered as excessively bureaucratic, corrupt, unfair, inefficient, and outdated. The deficient in the collection of tax revenue affecting the economic growth and sustaining the cycles of poverty and inequality. The issues that are hampering in implementing tax reforms have become more pronounced due to the altered political landscape in Bangladesh following the July-August mass uprising (Raihan, 2024).

3.2 Problem Statement:

Tax evasion is an illicit practice where an individual intentionally dodges paying their accurate tax liability (Kagan, 2024). Tax evasion has become a common phenomenon that can be found considerably in every country but more prevailing in developing countries and the average size of shadow economy in those countries are 37.5% (Ahmed, 2018). The amount of tax evasion in Bangladesh in 2023 was estimated around two hundred thousand crore Taka (The Daily Star, 2024). The BEA estimates that 87% of wealthy and upper middle-class individuals in Bangladesh are evading income taxes (The daily star, 2024). The UN convention has also expressed its special concern for widespread of corruption in Bangladesh (Prothomalo, 2018). The curse of tax evasion in Bangladesh has becomes more acute as the government officials and parliamentarians often work as beneficiaries and found guilty many times (The Daily Star, 2011). These types of illicit practices have increased the size of informal economy. At the same time, it has distorted the tax structure that affects the morale of the taxpayers. In 2023 Bangladesh’s tax to GDP ratio was 7.5% which is way below of average ratio set by Asia pacific (19.3%) and by (Organization for Economic Co-operation and Development) OCED an average of 34%. Corruption was always a hindrance for Bangladesh since the liberation but behind tax evasion there are many socio-political and politico-economic factors. To address this gap, this study aims to understand the nature of the problem of induvial tax evasion and investigate the underpinning factors.

3.3 Research Questions:

This study aims to understand the nature of individual tax evasion, particularly for policy formation, implementation, and compliance. It aims to explore if there is any link between various factors fostering tax evasion. Based on this, the study addresses the following questions:

Q1. Do the significant loopholes in the tax laws and policy implementations cause individual tax evasion?

Q2. Does the close relation among politicians, public officials, and influential business people increase tax evasion?

Q3. Does the complexity of the return filing system in Bangladesh often encourage people to evade taxes?

Q4. Does taxpayers' dissatisfaction with government spending policies often motivate them to evade taxes?

Q5. Does the government's practice of forgiving tax evaders with a minimum tax payment encourage tax evasion in Bangladesh?

3.4 Research objective:

The primary objective of this study is to understand the nature of individual tax evasion and identifying underlying cause of individual tax evasion in Bangladesh. In particular, the purpose is to understand and identify:

I. To investigate whether significant loopholes in the tax laws and policy implementations in Bangladesh is responsible for individual tax evasion.
II. To examine the effect of close relation on individual tax evasion.
III. To examine the effect of complexity in tax return filling on tax evasion.
IV. To examine the effect of tax payers' dissatisfaction of government speeding policy on tax evasion?
V. To examine the effect of government's practice of forgiving tax on tax evasion?

3.5 Significance:

Understanding the causes of tax evasion government can address those gaps in revenue collection system which in result boost the economic growth. This study can help the administration and policymakers in developing more effective tax implementation system, law and enforcement strategy that would make it hard for the evaders to evade tax. If the tax evasion is reduced significantly then it would reduce inequality in society by establishing a fair system of distribution of wealth. Furthermore, it would improve the public sector like health care, education, infrastructure which is significant for the well-being of a sound society. These sorts of improvement will also attract foreign investment which will further benefit the country to become a developed country as per the vision 2041.

3.6 Literature Review:

The issue of tax evasion is a common phenomenon in both developing and developed countries. Hence, researchers, economists, academics from all over the world had developed many theories and models to understand the causes and consequence of tax evasion. In the present era, they have studied and looked into different things like non-compliance, shadow economy, behavioral, psychological, moral, ethical aspects of the issue of tax evasion. These sorts of studies were conducted in both the developed and developing countries to build a foundation to the study of tax evasion (Benno, 2003). In today's world corruption is a widespread issue that is affecting all the wealthy, developing and underdeveloped nations around the globe. The recent report of the Transparency International's Corruption Perception Index gives a light on how pervasive corruption is in both developed and developing countries. Often individuals are tempted by the economic incentives with that a weak institutional system that struggles to regulate and implement the law sustains corruption in a nation.

Additionally, lack of political transparency and political feudalism leads to lack of accountability fostering corruption behind the curtail (Ackerman, 1978). Rose Ackerman had also explained an agency problem in her book; where she explained, democratic politicians are agent of public and work for the interest of the public. Those democratic leaders are responsible to manage the job of different administrative sectors run by government officials. However, when leaders want their sub officials to serve their own interest, they had to compromise the interest of the public. In the meantime, those officials also get chance to serve their individual interest in that loop hole. This loop hole creates a circle of corruption that distorts public interest continuously.

Furthermore, income generated from illegal means is called the black income for instances, smuggling, black market, narcotics etc. Tax evasion is also termed as black economy but there two-fold of it. One-fold of it can be define as an income that was generated from illegal means like the above mentioned which cannot be shown in the tax return. Another fold of it, is the income that was generated from legal sources and in a legal way but was intentionally concealed from tax return (Gupta, 1992). An econometric analysis by Massimo Bordingnon (1993) explained that, individual taxpayers' willingness to pay tax or to avoid tax is significantly influenced by the perceive tax system as of how fair they are to be and the government's efforts to deliver to the public required goods and services in exchange of the taxes that the public would pay. If public at a large believe that the tax system is fair & just and they see there are tangible benefits that are arising from their contributions, people are more likely to comply with the relevant legislation. However, if people feel that the authoritative system is not transparent and fair or it is not certain to get value for their money, their motivation to pay taxes would decrease accordingly. Modern economics has derived from the discipline of economics and political science where the political institution determines the economic policy and implements it (Monir, 2012).

At large it determines the function of different institutions like social environment, economic system and relationship between people and policy. Compeered to developed countries the developing countries has very low tax to GDP ratio yet it is hard to estimate and mitigate the issue due to lack of knowledge, scarcity of data that creates methodological shortcomings (Oxford university, 2009). Actions of bureaucrats, private sectors and lose practice of government officials is common phenomenon in developing countries. Less transparency of system, legislation and accountability is also responsible for fostering such distortion (CABRI, 2007). In Bangladesh the problem is more acute since corruption has been institutionalized through social and economic system by the central government to rural life (Financial Express, 2024). Corruption can find in both the public and private sectors in many ways but usually not visible due to the inside lobbying, favoritism & mutual gain, collusion and the awarding of contracts. These sorts of activities explain how the corrupt interactions happens between different groups of public and private sectors. That's why is not so hard to understand how the politicians and private entities maintain close relationships, and how they often exploit each other for their individual gain.

However, these sort of relationship works in both way by benefiting both the parties, where democratic leaders will grant a particular legislation or contracts, or breach of law using different means that favor the private sector in return private sectors would contribute in democratic campaigns (Monir, 2012). Bangladeshi tax laws and legislation sees amendments and changes in almost every year yet every year there are found tax leakage using law, due to lack of transparency in the legislation. Meanwhile, like other developing countries punishments and penalties for tax evasion is very low in developing countries. Social norms and culture are equally important element in the study of tax evasion as in Bangladesh tax amnesty scheme is a year-old practice that allows black money to be taken back to the country at a reduced tax rate (Ahmed, 2018). While corruption and tax evasion have been examined as related issues from different angles, previous research has not delved into the intricate complexity of their connections because they have typically defined corruption solely as bribery and omitted significant potential tax abuses in their definition of tax crime (Winter & Vozza, 2022).

Corruption and widespread tax fraud must be tackled as a top priority. In the realm of taxation, transparency, when utilized correctly, is an essential tool as well (KPMG,2018). Tax evasion, black economy or shadow economy is most often considered as corruption since in modern day it has been institutionalized. This study focuses to understand the nature of tax evasion and underpinning factors or flaws that is merely blamed as corruption.

3.7. Hypothesis Development

3.7.1. Relation between loopholes in the tax laws and policy implementations in Bangladesh and individual tax evasion

As per Global VAT Compliance (GVT), the current tax structure of Bangladesh tends to put more tax burden on the less wealthy population where middle-income group contributes more, which enables the government to collect greater revenues from those with lower incomes compared to the wealthier individuals. To ensure fairness for all citizens, it's crucial to implement a more equitable taxation system (The Financial Express, 2024). Meanwhile, as per the Tax Justice Network, Bangladesh loses $365 million each year due to shift of profit by wealthy business people to other countries. Also, in corporate sector the value is around $ 1.4 billion. These sorts of intentional tax avoidance transfer the tax burden on individual consumption as VAT and GST increases in financial budget. Moreover, increasing inflation and tax on consumption is putting more burden on general individual. Wealthy people can manage costly lawsuits and lawyers to manage tax loopholes and adopt means of tax evasion. But the general public cannot adopt that sort of means so they often contribute to underground economy or fall below the minimum income threshold (The Financial Express, 2024).

H1. Significant loopholes in the tax laws and policy implementations in Bangladesh has positive correlation with tax evasion.

3.7.2. Relation between close tie among politicians, public officials, and influential business people and individual tax evasion

In Bangladesh the tax regulation and policy development administration face various kinds of challenges. Among those are the continuous practice of income tax exemption and serving vested interest of different groups of the elite society which includes business sector, public sector and the tax administration itself (Mannan et al., 2021). Political parties in power in many cases have means to influence the tax administration and implementation system. Many times, they often influence the tax administration and officials to conduct tax audits that contributes to their own interests. If somehow, they cannot directly influence the tax authorities, still they will find some ways to exert their power and influence indirectly (Kim, 2008). The recent change of governments and income tax scandals of different elite groups are also echoing the same. For instance, mostly in developing countries, the appointment and dismissal of the head of tax administration is mostly influenced by key politicians and political parties. from the ruling party. In august 2024 the chairman of NBR was changed by cancelling contractual appointment of previous chairman by the previous government of Bangladesh (The Daily Star, 2024). These incidents indicate that politicians, tax officials can significantly affect how the tax authority operates and implements policy directly or indirectly.

H2. Personal gains of politicians, public officials, and influential business people has positive correlation with tax evasion

3.7.3. Relation between complexity of the return filing system and individual tax evasion

Noncompliance of tax policy is a major concern for any countries tax administration. Almost everyone understands important of income tax but still people tend to avoid or evade tax by any means possible. Generally, people tend evade tax in self-assessment system as it gives a flexibility to them in declaring their income and setting up their financial affairs. Self-assessment system along with lack knowledge of taxpayers about tax laws coupled with the complexity of entire legal system found a contributing factor to tax evasion in many studies (Yahya et al., 2021). The income tax act 2023 is a lengthy act with many other rules and statutory orders that are issued separately. Along with that there are many holes within the act for instance, expenses for business in restricted by section 49 by providing a list of expenses whereas expenses for business may incurred outside of that provision. Double taxation is also present in the act as the perquisite is taxable on corporate level and individual income tax level. There are room for different interpretation of the law by different individual (The Financial Express, 2024). Tax complexity refers lengthy vague laws and regulation, excessive book keeping and return filing. The idea of tax complexity is that the more straight forward and easy to interpret the tax policy is the more the compliance.

H3. Complexity of the return filing system has positive correlation with individual tax evasion.

3.7.4. Relation between taxpayers' dissatisfaction with government spending policies and individual tax evasion

Generally, government spending indicates the size of an economy that may have positive or negative impact on tax evasion. As government spending increases the governments requires more money so it may lead to increase of tax burden on individuals. Also, a fair and transparent spending on public sector and subsidies can lead to public satisfaction and increasing public well-being while increasing tax collection in self-assessment system (Islam et al., 2020). Corruption and money laundering by people in powerful positions creates great degree of dissatisfaction among the general taxpayers. Since, individual taxpayers' lives in a society they interact with each other and get influence by each other in their daily life. Therefore, there is a influence of one person on another as of their continuous existence in the society. And the perceived idea of corruption and getting looted creates a perception of peers not to comply with tax law resulting non-compliance activity (Mannan et al., 2020).

H4. Taxpayers' dissatisfaction with government spending policies has positive correlation with individual tax evasion

3.7.5. Relation between government's practice of forgiving tax evaders with a minimum tax payment and individual tax evasion

In amnesty program government forgives crimes regarding tax and tax dodges by allowing alleged tax payers to pay a minimum income tax on income that was not declared previously. Bangladeshi government at different time allowed tax amnesty program but failed to curb the creation of shadow economy to the expected level but the government is eager to allow tax scheme again and again to hoping to contribute to its budget deficits. Over the past 40 year through the tax scheme program Bangladeshi government were able to collect Tk 1400 crore (Ahmed, 2020). As per the London School of Economics, the amount of tax evasion in 1981 was 13.9% and 47.2% of the country's GDP. However, over the past 40-year government has allowed tax amnesty program 20 times. Tax amnesty in Bangladesh was never a successful program to meet the expected result but it only created wrong perception among tax payers and added to the cause of tax evasion (Ahmed, 2018).

H5. Government's practice of forgiving tax evaders with a minimum tax has a positive correlation with individual tax evasion.

3.7.6. Relation between the identified independent variables and individual tax evasion

In Bangladesh there, many things that is plaguing country's income tax system. Among those are limited tax base, shortcomings in law and administration are causing widespread tax evasion which is creating a barrier in collect revenue and skyrocketing the underground economy (Mannan et al., 2021). According to sarker (2002), there are various causes sustaining tax evasion in Bangladesh for instance, perplexing tax regulations, lack of societal security, absence of co-ordination among different bodies of governments and financial institution, inefficiencies and corruption. Results also shows that insufficient number of tax officials, gaps and complexity of tax law, ineffective action plan and measures taken by tax authorities enables tax evasion. Government instability unpredictable changes in power creates a major threat to the collection of government tax revenue (Islam et al.,).

H6. These identified independent variables has positive correlation with individual tax evasion.

3.8. Methodology

3.8.1. Research Type:

Exploratory research gives a flexibility to make initial understanding about a problem or a phenomenon. It helps to find out key variables and analyze potential correlation that that would lay a foundation for more in-depth research. Moreover, the quantitative analysis would allow to use statistical methods to find out any correlation among variables or patterns. Statistical findings would help to make generalization by analyzing sample to a large population. Information from statistical methods would also have predictive power and can used to for comparative analysis which helps to test hypothesis.

3.8.2. Population and Sample:

A study always driven by a specific objective and from that objective we define the subject of the study. The objective clarifies which is the target group on which research can be applied and by them the findings can be generalized. Such a particular group is called a population for the study. If a part from that particular group which is defined as population is selected to observe will be called as a sample (Shukla, 2020). This study aims to understand the underlying causes of individual tax evasion in Bangladesh for which the target group on which research can be applied are individual tax payer, government tax officials and tax consultant. Considering the scope and objective of the study this study uses a convenience sampling by applying the study on tax consultant from a renowned chartered accountancy firm. This kind of sampling is cost effective and less complex that makes research more useful at early stages to test hypothesis. Flexibility and simplicity of this method makes initial exploration on a problem easier and more straightforward to understand and examine.

3.8.3. Data Collection:

Taxation and corporate affairs consultant of ACNABIN chartered accountant received a google form to respond some question that was determined by analyzing secondary information. For each of the hypothesis there were three question and respondent were given a scale of (1) Strongly disagree to (5) Strongly Agree. Volunteers from the organization were reached through the official WhatsApp group to make the questioner available to them.

3.8.4. Data Analysis:

For this study few statistical tools and methods were employed for data analysis and hypothesis testing. For instance, SPSS the Social Science Statistics Package were employed for various task like data entry, assessing reliability, analyzing quantitative data, testing hypothesis. Also, Microsoft excel was also utilized to data visualization.

3.8.5. Conceptual Framework:

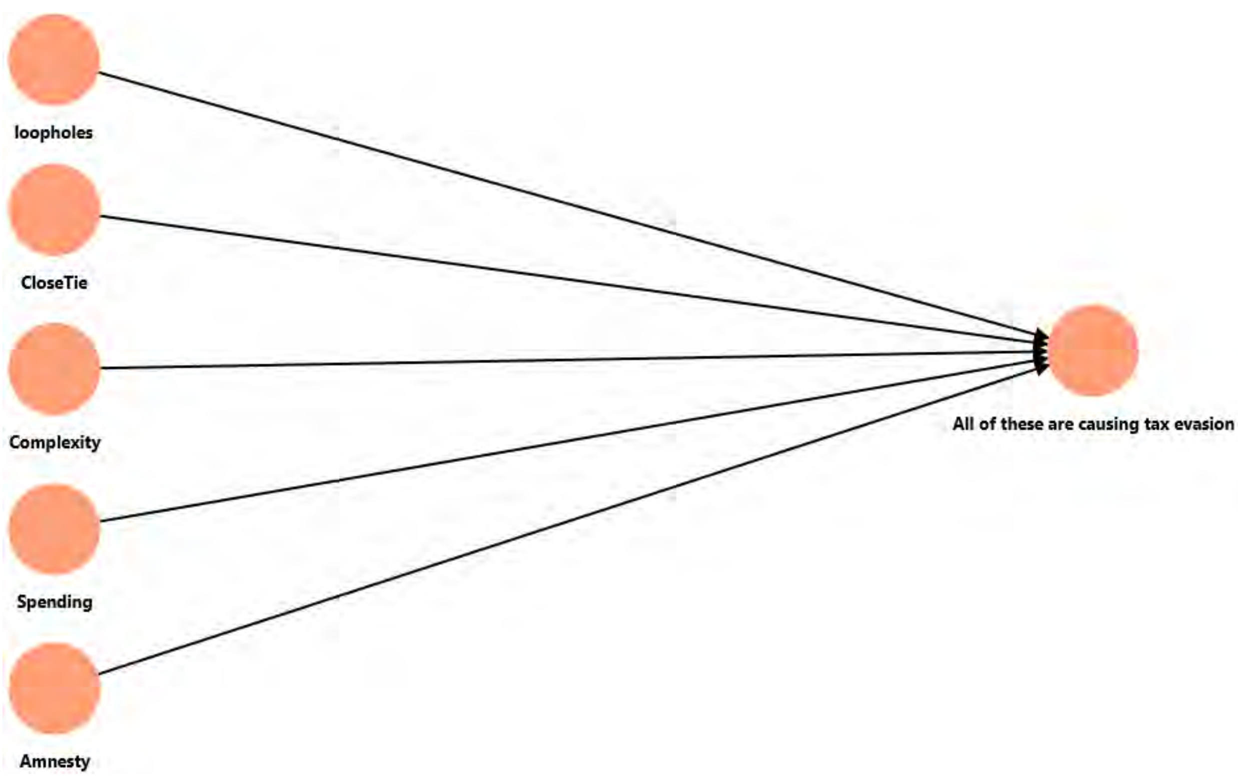

Figure 3: The conceptual framework

3.9. Findings and Analysis

3.9.1. Reliability Analysis:

Reliability Statistics

Cronbach's Alpha	N of Items
.718	20

Table-1: Calculation of Cronbach's Alpha

Reliability test important as it measures the internal consistency of the constructs in a study. Value of a construct in study would be considered as reliable if the alpha (α) value is greater than 0.70 (Hair et al., 2013). Cronbach's alpha greater than 0.7 indicates survey question was capable of measuring what the study aims to measure consistently. This study aims to measure underlying causes of individual tax evasion for which it effort to collect data via survey question and the alpha value of 0.718 indicates that survey was sufficiently good to cover the issue and collect consistent data to measure the issue of individual tax evasion in Bangladesh. Therefore, numerical data gathered through survey is reasonably consistent for doing further computation and analysis.

3.9.2. Results and Discussion:

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Loopholes	34	3.33	4.67	3.862	.394	.417	.403	-.342	.788
Close-Tie	34	3.00	4.67	3.715	.411	.115	.403	-.402	.788
Complexity	34	2.67	4.00	3.303	.321	.185	.403	.033	.788
Spending	34	3.00	4.00	3.549	.282	.456	.403	-.915	.788
Amnesty	34	3.00	4.67	3.813	.443	-.399	.403	-.517	.788
Valid N (listwise)	34								

Table-2: Descriptive Statistics

The descriptive analysis shows that the minimum value for each of the variable is 3.00 or above except complexity which is 2.67. however, the maximum value for each of them is 4.00 or above. Highest mean value is 3.86 for loopholes and minimum mean value is 3.3 for complexity. Furthermore, the skewness value is between -0.5 to 0.5 indicating that the data fairly symmetrical.

	Original sample (O)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
Amnesty -> These variables are responsible for evasion	0.052	1.866	0.028	0.489
Close-Tie -> These variables are responsible for evasion	0.221	1.126	0.196	0.422
Complexity -> These variables are responsible for evasion	-0.253	0.921	0.275	0.392
Loopholes -> These variables are responsible for evasion	0.242	3.116	0.078	0.469
Spending -> These variables are responsible for evasion	0.04	0.83	0.049	0.481

Table-3: Calculation of path coefficient

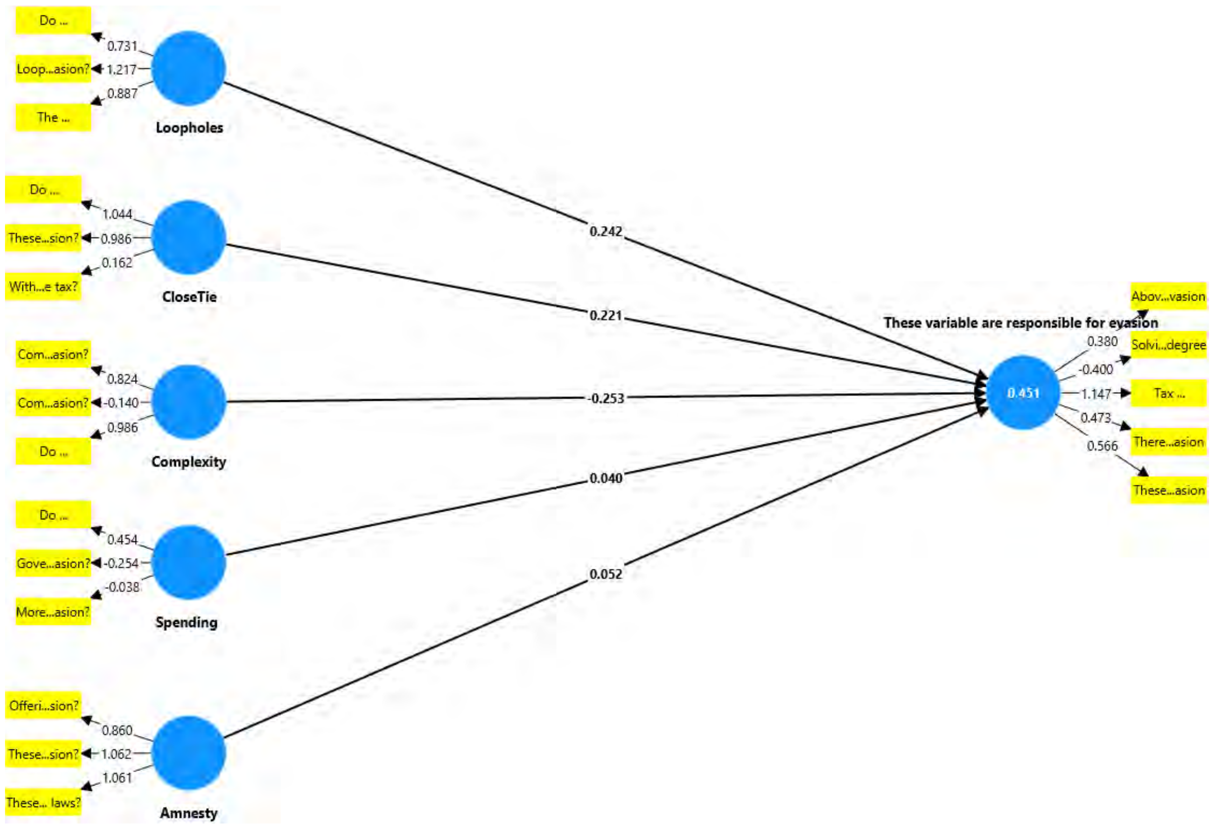

Figure 4: Analysis of conceptual framework

Results from structural equation modeling shows that Loopholes in the system and close tie among different parties are moderately influencing the issue of individual tax evasion in Bangladesh. In the study of issues under social sciences a value of 0.3 or above is considered as significant (Tevari et al., 2024). The result of path coefficient for providing amnesty program to evader is 0.052 showing a slight positive relation. It also indicates that as arrangement of these sorts of amnesty program increases it positively contributes to individual tax evasion. From 1976 to 2010 Bangladesh has provided tax amnesty scheme to whitening underground money with minimum tax payment generally 15% for 11 times (Ahmed, 2020). Considering the result of this study it can be said that arranging amnesty scheme so often is positively contributing individual tax evasion in Bangladesh.

Further, the coefficient value for close tie among different parties like wealthy tax payer, government officials and politicians are 0.221 which shows a moderately positive relationship. This also indicates that individuals with good network or connection with influential bodies or policymakers are likely to get an edge over the system. For instance, internal information, soft or preferential treatment which allows to breach the system and contribute to tax evasion. Moreover, loopholes in the system shows a coefficient value of 0.242 also indicating a moderately positive relation. This indicates that presence of loopholes in the tax system is moderately influencing tax evasion as individuals are getting involved in evasive activities as they can exploit gaps present within the system which also supports the findings of Farhana & khan, 2024.

Furthermore, government spending from taxpayer's money also shows a slight positive relationship. This indicates that when people are not satisfied with the spending of government and when the spending is not transparent people gets discourage to comply with relevant laws and regulation and similar results were analyzed by an econometric analysis by Bordingnon, (1993). Lastly, this study shows that complexity of filing income tax has an inverse relationship. Which also indicates that if system is more detailed and difficult system would may work as a deterrent to individual tax evasion in Bangladesh.

	R-square	R-square adjusted
These variables are responsible for evasion	0.451	0.353

Table-4: Calculation of Square and adjusted R square

The R-square is considered as determinant of path co efficient. In this case it employs that about 45% of individual tax evasion is somewhere explained by these independent variables. It reveals that the model has moderately strong ability of explaining individual tax evasion in Bangladesh.

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
These variables are responsible for evasion	0.451	0.641	0.090	5.032	0

Table-5: Calculation of other statistics of bootstrapping

Here, the original sample 0.451 indicate the significant level of relationship between the variables like loopholes, close tie, amnesty scheme and government spending and the influence on individual tax evasion. The value of 0.451 indicates a moderate degree of positive relationship. Which can also mean that loopholes, close tie or amnesty scheme can be moderately exploited by individuals to evade tax. Sample mean 0.641 from bootstrapping also suggesting a positive influence that is consistent and reliable. Further, the standard deviation indicates the dispersion of path coefficient across the sample, where a lower deviation would certainly indicate a relatively stable coefficient and 0.090 standard deviation means a stable and reliable result. Additionally, T statistics value 5.032 also indicates a strong relation between different variables and influence on individual tax evasion. It indicating that the path coefficient is significantly differs from zero value. The p value of 0 is also indicating a good and reliable result.

	f-square
Amnesty -> These variables are responsible for evasion	0.003
Close Tie -> These variables are responsible for evasion	0.105
Complexity -> These variables are responsible for evasion	0.128
Loopholes -> These variables are responsible for evasion	0.074
Spending -> These variables are responsible for evasion	0.027

Table-6: Calculation of F-Square

The analysis of f-square tells us the relative important of different variables that were used as predictor. This shows that the results found in path coefficient analysis are relatively important for close tie, complexity, loopholes and government spending. Where, close tie, complexity and loopholes shows a moderate importance and spending has small and amnesty has very small importance.

3.10. Implication:

This study has both the theoretical and practical implication which are explained here:

Theoretical Implications: This study aims to explore the theoretical ramification of individual tax evasion by focusing on socio-economic factors. It develops a conceptual model for measuring tax evasion and showing relationship of different variables with it. This study provides a frame work for designing a structural model that helps to identify factors that are sustaining individual tax evasion in Bangladesh. This study will further to develop more broader model for instance, causes of individual tax evasion and relationship with individual attitude by exploring 'Theory of Planned Behavior'. Also, model can be developed to see relationship and implication of causes of individual tax evasion with 'Fraud triangle Theory'.

Practical Implications: The findings of this study can help the policymakers to identify key areas that require special attention for instances, loopholes in the tax system, close tie indicates a shared system of getting benefit that would the policymakers want to monitor rigorously and increase the degree of accountability of government officials. Furthermore, findings of this study can be used to develop behavioral intervention upholding governments contributions to public's betterments to influence taxpayer's behavior.

Also, to curve people's sentiments there has to be substantial amount of improvements on the issues that are identified by this study like improving the quality of public service, ensuring dispassionate tax enforcement by showing the consequence of tax evasion of few high-profile tax evasion government can enhance trust and compliance to deter individual tax evasion. Moreover, findings of this study can be used by the tax administration to identify risk factors and vulnerabilities of the current tax system. Tax administration can set their priority accordingly and implement a well targeted law enforcement measure that will be more effective to deter individual tax evasion in Bangladesh.

3.11. Limitation:

The main limitation of this study is the methodology that has been used to calculate and interpret the results. Since a convenience-based data collection method was used there are susceptible elements of biases and some other limitations. For instance, for this kind of social issue a in depth study would require to draw a more solid conclusion that would need to involve all the related parties in data collection like the politicians, government officials and tax payers. This study lacks this in-depth comprehensive exploration of issues to interpret the results. Furthermore, this has some other limitations like time spend on the study was not too long and resources and statistical tools were used at the beginner level whereas a more comprehensive analysis is required on this issue. Moreover, lack of information, participants unwillingness to answer, lack of expertise to comprehend the functional aspects of the study also adds to the limitations of this study.

3.12. Conclusion:

The exploration of literature has outlined that tax evasion is not a mere avoidance of tax payment it is reflection of trust between a state and its government and evasion would mean an unfair share of common good. From this the study had aimed to explore the causes that are sustaining the issue in Bangladesh. Since, the purpose of the study was to explore the underlying causes of individual tax evasion. The literature study had highlighted several variables that are causing and sustaining individual tax evasion in many countries for decades. The aim of this study was to studying literature that has already explored the same topic and by building a conceptual framework from that to explore underlying causes of individual tax evasion in the context of Bangladesh. The goal of the study was accomplished as the study had find close interaction between independent and dependent variables considering all the limitations that the study has.it is also important to mention that, the study findings were based on the conceptual framework that was build based on the analysis of already published literatures. All the variables were decoded based on the analysis of previous literature. Then questioners were created to asses each of the variables and responses was collected carefully. Further, for all the calculation statistical tools were used to calculate and analyze the results. Therefore, the findings of the study do fulfil the objectives of the study despite having some limitations.

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Appendix:

Questionnaire:

Scale:	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	1	2	3	4	5

Loopholes in the tax laws and policy implementations in Bangladesh causing individual tax evasion?						
1	Do you believe there are significant loopholes in tax policy of Bangladesh?	1	2	3	4	5
2	Loopholes are contributing to individual tax evasion?	1	2	3	4	5
3	The current tax policy is not effective enough to minimize tax evasion?	1	2	3	4	5

politicians, public officials, and influential business people often influence tax policy implementation for personal gain, leading to individual tax evasion?						
1	Do you believe relation with politicians, tax officials with wealthy tax payers contribute to tax evasion?	1	2	3	4	5
2	Having these sort of close tie helps individuals to evade tax?	1	2	3	4	5
3	Without these sorts of close tie, it is hard to evade tax?	1	2	3	4	5

Complexity of the return filing system in Bangladesh often encourage people to evade taxes?						
1	Do you believe the individual tax return filling is a complex process?	1	2	3	4	5
2	Complexity of filling return contributes to tax evasion?	1	2	3	4	5

3	Complex tax forms and documentation contributes to tax evasion?	1	2	3	4	5

Taxpayers' dissatisfaction with government spending policies often motivate them to evade taxes?						
1	Do you believe government spending policy is not satisfactory?	1	2	3	4	5
2	Government spending policy is encouraging tax evasion?	1	2	3	4	5
3	More transparent spending policy would reduce tax evasion?	1	2	3	4	5

Government's practice of forgiving tax evaders with a minimum tax payment of 15% foster a culture of tax evasion in Bangladesh?						
1	Offering reduced tax rate to evaders to bring back money contributes tax evasion?	1	2	3	4	5
2	These sort of amnesty programs encourages not to comply with tax laws?	1	2	3	4	5
3	These amnesty program contributes to tax evasion?	1	2	3	4	5

All of the identified variable is affecting Tax evasion in Bangladesh						
1	Tax evasion in Bangladesh is one of the major crises in Bangladesh?	1	2	3	4	5
2	Above mentioned issues are directly or indirectly related to tax evasion	1	2	3	4	5
3	These issues are directly or indirectly responsible for tax evasion	1	2	3	4	5
4	There can be other issues but these are few common issues responsible for tax evasion	1	2	3	4	5
5	Solving these issues will minimize tax evasion to certain degree	1	2	3	4	5