

Tax avoidance and tax evasion: current insights and future research directions from an emerging economy

Asian Journal of
Accounting
Research

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Received 1 October 2023
Revised 24 December 2023
28 March 2024
10 May 2024
Accepted 10 June 2024

Abstract

Purpose – This study aims to identify factors affecting tax avoidance and tax evasion in Bangladesh and propose a future research agenda.

Design/methodology/approach – This paper reviewed 423 articles published between 2010 and 2023 using a systematic literature review (SLR) approach.

Findings – The review classified the factors into three categories, namely individual taxpayers, corporate taxpayers and tax administration. Income level, tax penalty, tax morale, inefficient tax return system and tax assessment process are associated with the individual's tax avoidance and tax evasion activities. Profitability, corporate governance and financial restrictions are key factors influencing corporate taxpayers' involvement in tax avoidance and tax evasion. Factors related to tax administration include lack of social interaction, distrust of national officials, complexities of policies, politicisation of tax authority, lack of political stability, incompetent auditing, insufficient recording, lack of administrative cooperation, lack of accountability, insufficient counselling and compromising in tax prosecution cases.

Practical implications – This paper provides tax regulators with insights to improve regulations and lessen tax avoidance and tax evasion activities.

Originality/value – This paper is the first attempt to provide guidance for academics when examining tax avoidance and tax evasion in Bangladesh.

Keywords Tax avoidance, Tax evasion, Bangladesh

Paper type Literature review

1. Introduction

Research on corporate tax avoidance and evasion has rapidly increased recently and received soaring public attention (Islam and Hashim, 2020; Kovermann and Velte, 2019). Researchers



Asian Journal of Accounting
Research
Emerald Publishing Limited
e-ISSN: 2443-4175
p-ISSN: 2459-9700

DOI 10.1108/AJAR-09-2023-0305

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have debated about the definition of tax avoidance (Wang *et al.*, 2020). Whilst some claim it is a way to reduce tax liability within the legal framework, others think it is illegal to evade tax burdens (Lee *et al.*, 2015). Hasseldine and Morris (2013) suggest determining the legality of tax avoidance activities is crucial. In this study, tax avoidance is defined as the legal utilisation of the tax regime to reduce one's tax payable, by means that are within the law or at least within the letter of the law (Knuutinen, 2014). In contrast, tax evasion is any effort by taxpayers to evade taxes by illegal means.

Tax revenue is one primary source of financial support for economic and social development (Islam and Hashim, 2020; Jenkins and Newell, 2013). Despite the significant role of tax revenue and the diffusion of tax avoidance and evasion to developing countries (Mannan *et al.*, 2021; Dang and Nguyen, 2022), few studies have been done on this area in developing countries, including Bangladesh (Nurunnabi, 2019). Bangladesh has the lowest tax-to-gross gross domestic product (GDP) ratio of 10.3% (OECD, 2018) amongst the South Asian countries (Alam *et al.*, 2022; Razzaque *et al.*, 2023). In the financial year 2020–2021, Bangladesh's overall budget deficit is 6% of GDP (GOB, 2020, p. 13). According to Moazzem *et al.* (2023), the International Monetary Fund (IMF) states that nations should strive for a tax-to-GDP ratio of at least 12% to spur economic growth. Besides, the World Bank contends that growth and poverty eradication depend on tax receipts surpassing 15% of GDP.

Despite having the highest average tax rate amongst the South Asian countries, Bangladesh's tax loss is 30.2% of GDP (BDT 842 billion) (Moazzem *et al.*, 2023). Compared to neighbouring countries like India, Sri Lanka and Vietnam, Bangladesh is notably lacking in its ability to collect taxes. In the 2021–2022 fiscal year, 68% of Bangladeshis do not pay income tax (Moazzem *et al.*, 2023). According to the State of Tax Justice 2020 report, Bangladesh loses more than \$703m a year due to individual taxpayers and multinational firms evading taxes (Rashid *et al.*, 2023). Earlier studies claim that Bangladesh is facing the problem of losing tax revenue, mainly due to tax avoidance by firms, including multinational corporations (Ahmed, 2019; Islam and Hashim, 2020; Shakila, 2019). Bangladesh must collect tax revenue exceeding BDT 2,000bn to harmonise with the regional standard of around 14% (Moazzem *et al.*, 2023). Therefore, identifying factors affecting tax avoidance and evasion is crucial for Bangladesh to achieve sustainable growth.

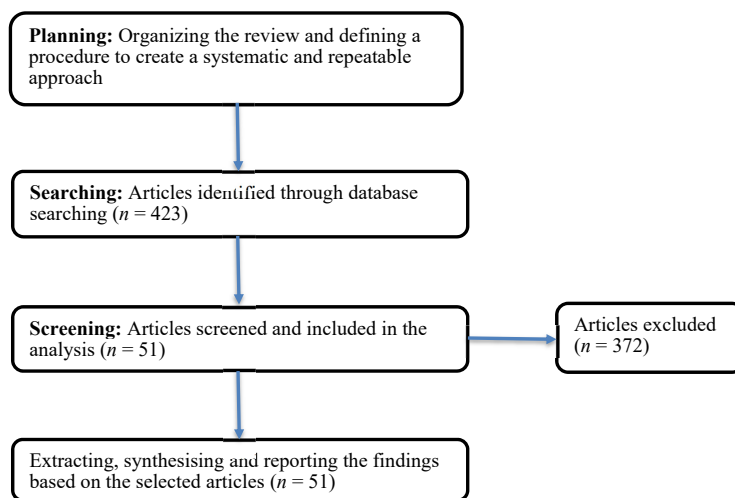
Studies in Bangladesh were mostly carried out from the country's or individual taxpayers' perspective, whilst very few were done on the firms. The overarching problem is the lack of coherent findings on factors related to tax avoidance and evasion in Bangladesh. Using a systematic literature review (SLR), this study aims to explore the current state of tax avoidance and evasion in Bangladesh. The research questions of this study are:

RQ1. What are the findings on factors influencing tax avoidance and evasion in Bangladesh?

RQ2. What potential research topics might be studied in future in Bangladesh?

2. Methodology

This research uses an SLR approach to analyse the Bangladeshi tax avoidance and evasion literature. SLR has been described as impartial, thorough and allowing for replication (Tranfield *et al.*, 2003), encompassing a comprehensive search for significant contributions on a specific subject evaluated and summarised using an established methodology. Four primary steps were taken to accomplish this goal: (1) planning, (2) searching, (3) screening and (4) extracting, synthesising and reporting (Tranfield *et al.*, 2003). The following subsections go into further depth about them (Figure 1).



Source(s): Authors' own creation

Figure 1.
Flow diagram of
the study

SLR was started by organising the review and defining a procedure to create a systematic and repeatable approach. This initial phase determines the research area to focus on. Established databases and publishers were chosen to search for papers on tax avoidance and evasion (Ftouhi and Ghardallou, 2020; Whait *et al.*, 2018). Search terms, with Boolean function, “Tax avoidance” AND “Bangladesh,” “Tax evasion” AND “Bangladesh,” “Tax aggressiveness” AND “Bangladesh” and “Tax planning” AND “Bangladesh” were used on the article title, keywords and abstract from 2010 to 2023 (Table 1). A total of 423 papers on tax avoidance and evasion were found meeting the inclusion criteria.

Inclusion criteria were adopted to screen the articles (Table 2) (Moher *et al.*, 2010). This study included 51 articles where the search terms appeared in both abstract and main body for analysis and reporting. A two-stage writing approach was adopted for reporting (Tranfield *et al.*, 2003): descriptive and thematic analysis. Descriptive analysis provided information like the body of research on tax avoidance and evasion in Bangladesh, type of study, publications and citations. Thematic analysis emphasised theoretical and empirical approaches to the study of tax avoidance and evasion in Bangladesh (Snyder, 2019).

No	Publishers	“Tax avoidance” AND “Bangladesh”	“Tax evasion” AND “Bangladesh”
1	Emerald Publisher	77	86
2	Wiley Online Library	16	14
3	Springer Link	14	16
4	Taylor and Francis Online	10	18
5	Science Direct	37	59
6	Scopus	1	11
7	JSTOR	7	19
8	EBSCO	3	7
9	ProQuest	11	17
	Total	176	247

Source(s): Authors' own creation

Table 1.
Lists of articles from all
sources ranging from
2010 to 2023

3. Descriptive analysis of selected papers

A summary of the works published in journals is shown in [Table 3](#). The table displays the percentage of studies on the subjects that appear in prestigious publications in Bangladesh, such as the *Journal of Cost and Management*, followed by one or two publications in other journals. Scholarly interest in tax avoidance and evasion has grown significantly in recent years. In addition, [Table 4](#) shows the list of articles published from 2010 to 2023 with more than 50% published in the last five years.

4. Underpinning theories

This study used agency theory to analyse tax avoidance and evasion practice by corporate firms ([Desai et al., 2007](#); [Desai and Dharmapala, 2006](#)). [Desai et al. \(2007\)](#) and [Desai and Dharmapala \(2006\)](#), using the agency theory, observe that businesses frequently design intricate transactions to evade being discovered by tax authorities. These complex transactions conceal assets from tax authorities and shareholders, which may enable managers to obtain personal gain (such as collecting economic rents from business). However, there could be a conflict between tax avoidance and evasion with an organisation's social responsibility ([Wang et al., 2020](#)). Therefore, corporate tax avoidance and evasion may be influenced by monetary and social responsibility incentives.

Economic models ([Becker, 1968](#)) suggest that tax system incentives influence individuals' tax reporting behaviour. Taxpayers make decisions based on expected utility maximisation. They face a trade-off between tax savings from underreporting real income and the risk of audit and penalties for non-compliance. This theory, originating from [Becker's \(1968\)](#) work on crime, was first used by [Allingham and Sandmo \(1972\)](#) to address the issue of tax compliance. Public finance scholars have subsequently examined tax compliance using their model. The current study adopted two concepts of [Allingham-Sandmo's \(1972\)](#) model, i.e. the degree of evasion rising with the tax rate and people are more likely to evade when they become aware of the large number of evaders in society.

5. Literature review on the current state of the field

5.1 Conceptual framework on tax avoidance and tax evasion in Bangladesh

Past studies on tax avoidance and evasion were predominantly based on developed economies. This study expanded the literature by considering emerging economies, such as Bangladesh. This paper categorises taxpayers in Bangladesh into two groups: individual taxpayers and corporate taxpayers. The individual taxpayers refer to any individual taxpayers other than firms. Individual taxpayers can be an employee, partner or sole proprietor. Any business other than sole proprietorship and partnership is considered as the corporate taxpayers. Factors that can impact tax evasion and avoidance are summarised in the conceptual framework as shown in [Figure 2](#).

Description	Inclusion criteria
Subject area	Taxation, business firm, administration, individual taxpayers, tax evasion and avoidance
Document type	Article and review
Source type	Journals
Search area	Business, management and accounting
Language	English
Publication stage	Final and article in press
Country	Bangladesh
Source(s): Authors' own creation	

Table 2.
Inclusion criteria for
article selection

No	Journal	Number of articles	Percentage (%)
1	<i>The Cost and Management</i>	4	7.84
2	<i>Munich Personal RePEc Archive (MPRA)</i>	2	3.92
3	<i>Global Disclosure of Economics and Business</i>	2	3.92
4	<i>Centre for Policy Dialogue (CPD)</i>	2	3.92
5	<i>European Journal of Business and Management</i>	2	3.92
6	<i>World Journal of Social Sciences</i>	2	3.92
7	<i>Journal of Economic Behavior and Organization</i>	1	1.96
8	<i>The Comilla University Journal of Business Studies</i>	1	1.96
9	<i>Environmental Science and Pollution Research</i>	1	1.96
10	<i>Economics and Business</i>	1	1.96
11	<i>Journal of Accounting, Finance and Economics</i>	1	1.96
12	<i>Research Journal of Finance and Accounting</i>	1	1.96
13	<i>American Journal of Trade and Policy</i>	1	1.96
14	<i>Advances in Public Interest Accounting</i>	1	1.96
15	<i>Journal of Financial Crime</i>	1	1.96
16	<i>Journal of International Accounting, Auditing and Taxation</i>	1	1.96
17	<i>Asian Journal of Accounting and Finance</i>	1	1.96
18	<i>International Journal of Public Administration</i>	1	1.96
19	<i>Polish Journal of Management Studies</i>	1	1.96
20	<i>Emperor International Journal of Finance and Management Research</i>	1	1.96
21	<i>International Journal of Advanced Research in Economics and Finance</i>	1	1.96
22	Bulletin of the WHO 97: 221–229	1	1.96
23	<i>Preventive Medicine</i>	1	1.96
24	<i>Social Responsibility Journal</i>	1	1.96
25	<i>Implementing Organisation: Research and Policy Integration for Development (RAPID), Working paper BGD-21181</i>	1	1.96
26	<i>Journal of Applied Business and Economics</i>	1	1.96
27	<i>Brac Institute of Governance and Development</i>	1	1.96
28	<i>Accounting and Finance Review</i>	1	1.96
29	<i>Pacific Economic Review</i>	1	1.96
30	<i>Journal of World Business</i>	1	1.96
31	<i>International Journal of Accounting, Finance and Business</i>	1	1.96
32	<i>Australian Journal of Accounting, Economics and Finance (AJAEF)</i>	1	1.96
33	<i>Economics</i>	1	1.96
34	<i>International Journal of Accounting, Finance and Business (IJAFB)</i>	1	1.96
35	<i>Handbook of Research on theory and practice of Financial Crimes</i>	1	1.96
36	<i>Journal of Business and Management</i>	1	1.96
37	<i>International Journal of Business and Management Study</i>	1	1.96
38	<i>Asian Development Outlook</i>	1	1.96
39	<i>South Asian Journal of Business Studies</i>	1	1.96
40	<i>Procedia – Social and Behavioral Sciences</i>	1	1.96
41	<i>Economics and Business</i>	1	1.96
42	<i>Energy Reports</i>	1	1.96
43	<i>Journal of Business and Technology</i>	1	1.96
Total		51	100

Source(s): Authors' own creation

Table 3.
Journals ranked by
number of articles and
percentages

5.2 Summary of past studies

Individuals and companies are taking different approaches to evade tax by using the weakness and complexities in the present tax system of Bangladesh (Islam, 2020). Further thematic analysis shows that these factors can be classified into three categories (Table 5).

5.2.1 *Individual taxpayers.* Factors influencing tax avoidance and evasion under individual taxpayers' category are immense. Past studies suggest many aspects of

Years	Number of articles	Percentage (%)
2023	5	9.80
2022	4	7.84
2021	7	13.73
2020	7	13.73
2019	6	11.76
2018	6	11.76
2017	8	15.69
2016	4	7.84
2015	1	1.96
2014	0	0.00
2013	0	0.00
2012	3	5.88
2011	0	0.00
2010	0	0.00
Total	51	100

Table 4.

List of articles published from 2010 to 2023

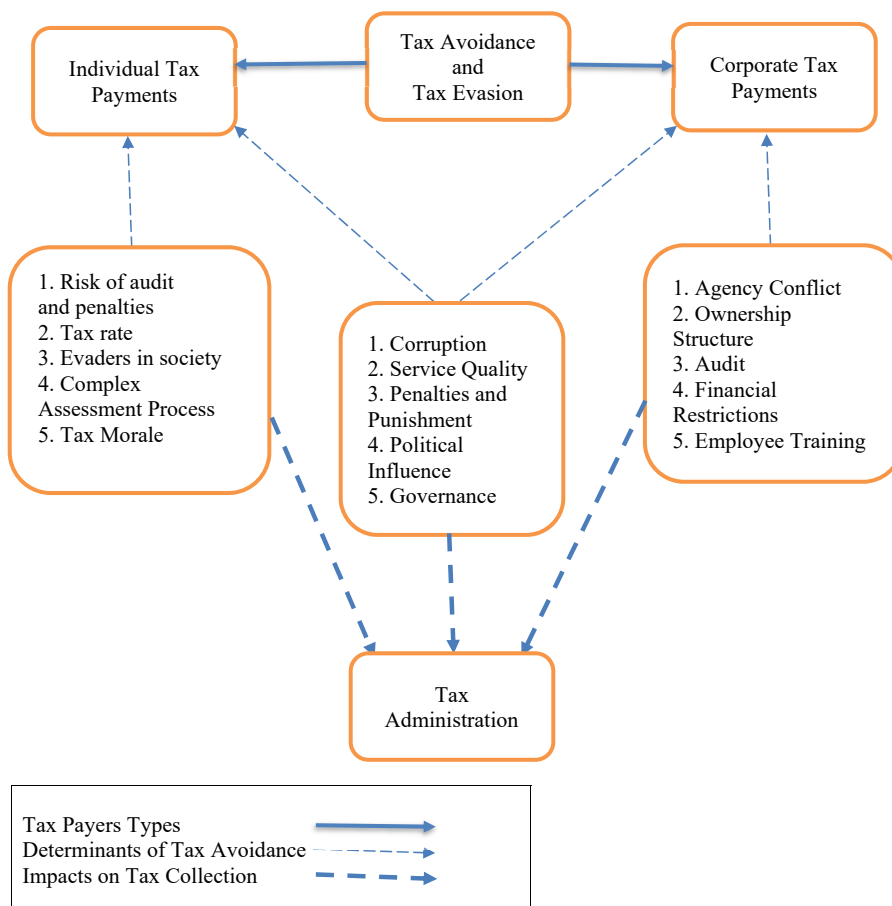
Source(s): Authors' own creation

individual taxpayers are associated with tax avoidance and evasion (Table 6). Factors such as demographic, administrative and policy, psychological and government factors could influence the individual taxpayers and lead to tax evasion and avoidance. Education is one of the key demographic factors that directly exert significant influence on an individual's tax compliance (Kazi Abdul and Khandaker Mursheda, 2023; Tishar and Hasanuzzaman, 2019). Morale (Kemme *et al.*, 2020), ethics (Kazi Abdul and Khandaker Mursheda, 2023) and negative perceptions (Islam *et al.*, 2021) are amongst the psychological factors. For example, individual taxpayers from countries with low tax morale and unethical behaviour are likely to engage in more tax evasion (Kemme *et al.*, 2020; Kazi Abdul and Khandaker Mursheda, 2023).

Corruption (Islam *et al.*, 2021; Rashid, 2020; Sarkar, 2022), high tax rates (Islam *et al.*, 2021; Kabir, 2020), complex assessment process (Nigar Nargis, 2019; Nargis *et al.*, 2020; Rahman *et al.*, 2018; Sarkar, 2022), National Board of Revenue (NBR) (Jewel *et al.*, 2020), quality service (Jewel *et al.*, 2020; Rana and Maskujjaman, 2017) and government initiatives for improving tax collection service (Abdul *et al.*, 2021) are tax administrative and policy-related factors that influence individual tax evasion. For example, dissatisfaction with existing complex tax assessment and payment systems as well as lack of tax collector cooperation and counselling campaigns can cause tax evasion (Islam *et al.*, 2021; Rahman *et al.*, 2018). A complex tax system may result in lower fairness, audit probability and tax knowledge, leading to more tax evasion (Islam *et al.*, 2021; Rashid, 2020; Sarkar, 2022).

Tax evasion can also be influenced by ineffective tax return system, non-transparent tax collecting system and harassment by tax officers (Jewel *et al.*, 2020). Similarly, high tax rate motivates individual taxpayers to evade tax (Kabir, 2020). Study by Jewel *et al.* (2020) identified that NBR and government are major factors responsible for tax evasion. Corrupt government officials, together with lack of both audit and transparent tax revenue collection process (Jewel *et al.*, 2020; Rana and Maskujjaman, 2017; Rashid, 2020), have increased the corruption of tax evasion. Moreover, poor service quality includes inadequate information, limited counselling (Rahman *et al.*, 2018) and lengthy documentation could encourage individuals to evade tax (Jewel *et al.*, 2020).

Furthermore, individual taxpayers' tax education, monthly income, tax morale (Tishar and Hasanuzzaman, 2019), high tax rates, complexity of the payment process, non-cooperation of tax collectors, inadequate information and limited counselling campaigns are causes of tax evasion and avoidance (Rahman *et al.*, 2018). Researchers pointed out



Source(s): Authors' own creation

Figure 2. Conceptual framework on factors affecting tax avoidance and tax evasion in Bangladesh

government spending transparency (Abdul *et al.*, 2021; Hasan *et al.*, 2017) and tax penalties (Hasan *et al.*, 2017) influence individual taxpayers' tax compliance and tax evasion behaviours. A lack of quality services during tax returns may also lead to tax avoidance (Rana and Masukujjaman, 2017).

5.2.2 Corporate taxpayers. Corporate taxpayers are motivated to evade tax by three broad institutional factors, namely corporate governance mechanisms, financial issues as well as function of tax authorities and taxation policies (Table 7). Corporate governance mechanisms include firm-level characteristics (Tang, 2020; Wang *et al.*, 2020), tax fairness, tax knowledge and moral obligation (Kassa, 2021). Social costs (Razen and Kupfer, 2023) and social networks (Whait *et al.*, 2018) are under financial issues. Function of tax authorities and taxation policies consists of loopholes in tax legislation (Ftoui and Ghardallou, 2020), government ownership and political connections (Tang, 2020).

Tax avoidance has a negative relationship with corporate governance mechanisms (Islam and Hashim, 2020, 2023). Managers may engage in tax avoidance activities to maximise opportunistic goals. Therefore, the audit and audit committee's role are crucial in determining

No	Categories of factors influencing tax avoidance and tax evasion	Citations
1.	Individual Taxpayers	Abdul <i>et al.</i> (2021), Alam (2021), Hasan <i>et al.</i> (2017), Islam (2020), Islam <i>et al.</i> (2021), Jewel <i>et al.</i> (2020), Kabir (2020), Kazi Abdul and Khandaker Mursheda (2023), Kemme <i>et al.</i> (2020), Rana and Masukujjaman (2017), Rashid (2020), Sarkar (2022) and Tishar and Hasanuzzaman (2019)
2.	Corporate Taxpayers	Gauthier <i>et al.</i> (2021), Hossain and Noor (2018), Hassan <i>et al.</i> (2022), Islam and Hashim (2020), Islam and Hashim (2021), Islam and Hashim (2023), Masum and Hena (2017), Rahman and Karim (2016), Rashid and Morshed (2021), Rashid <i>et al.</i> (2023), Razzaque <i>et al.</i> (2023), Sarkar (2022) and Zahid and Bhuiyan (2012)
3.	Tax Administration	Abdallah and Ashraf (2018), Ahmed (2019), Jewel <i>et al.</i> (2020), Islam (2020), Mannan <i>et al.</i> (2021), Monir (2012), Nigar Nargis (2019), Nargis <i>et al.</i> (2020), Nurunnabi (2017, 2019), Murshed and Saadat (2018), Rahman <i>et al.</i> (2018), Sarkar (2022) and Torgler, 2004

Source(s): Authors' own creation

Table 5.
Categories to classify
past studies

corporate tax avoidance. Rashid and Morshed (2021) documented that external auditing negatively affects firms' tax evasion. Islam and Hashim (2023) found that audit committee size and audit committee meetings have negative association with corporate tax avoidance. Interaction of audit committee size and audit committee independence has a negative relationship with corporate tax avoidance. In contrast, interaction between audit committee meetings and audit committee independence positively affects corporate tax avoidance.

Rashid *et al.* (2023) found that higher CSR expenditure can reduce corporate tax avoidance, but political ties reduce the contribution of CSR to tax evasion. Businesses with political relations are more likely to be tax aggressive by downplaying CSR. Companies with fewer political ties are more socially responsible than those with substantial political affiliations. Progressive tax rates, tax policy, improper behaviour of tax officials and hassle at payment time are other reasons for tax avoidance by firms (Rahman and Karim, 2016). Recording fake expenses, erroneous classification of expenses and income, overstated depreciation and raw material wastages, non-compliance of tax laws and unrecorded cash are major ways to avoid and evade tax (Islam and Hashim, 2021). Moreover, firms have a culture of giving bribes to public officials of tax authority to evade tax (Gauthier *et al.*, 2021). Firms facing financial constraints have more tendencies to evade tax than those with bank loans and are financially stable (Rashid and Morshad, 2021).

Furthermore, Razzaque *et al.* (2023) have found that the political settlement in Bangladesh's tax system has contributed to the prevalence of tax evasion. Because of political ties, majority of wealthy elites can avoid paying taxes. They can opt to not register or file low-tax returns that are not subject to audits. Reduction of taxable income or increment of expenses can reduce tax burden of the business firm (Rahman *et al.*, 2018). Firms usually use fake expenses like employee training expenses to evade tax (Hossain and Noor, 2018). They also manipulate financial data or reports to evade tax (Rahman *et al.*, 2018). Firms' ownership structure is associated with tax evasion (Rashid and Morshad, 2021). Tax evasion positively relates to domestic, foreign and government ownership. However, proprietorship, female ownership and familiar international firms are negatively associated with tax evasion. Similarly, Hassan *et al.* (2022) and (Masum and Hena, 2017) found that public ownership and board ownership have positive relationship with corporate tax avoidance.

Factors	Citations	Findings
Demographic factors	Education (Tishar and Hasanuzzaman, 2019) Education (Kazi Abdul and Khandaker Mursheda, 2023)	Tax education significantly influences tax non-compliance behaviour Individual tax compliance amongst taxpayers whose primary sources of income are businesses, salaries and other sources is directly and significantly impacted by their educational background
Administrative and policy factors	Complexity and a Tax System, Corruption (Islam <i>et al.</i> , 2021; Rashid, 2020; Sarkar, 2022) Process of Assessment (Islam <i>et al.</i> , 2021; Rahman <i>et al.</i> , 2018) Tax Rate (Islam <i>et al.</i> , 2021; Kabir, 2020) National Board of Revenue (NBR) and Government (Jewel <i>et al.</i> (2020)	The higher level of corruption and complexity in a tax system will result in lower fairness, audit probability and tax knowledge, leading to greater tax evasion Main cause of tax avoidance and tax evasion is dissatisfaction with the complex payment system, tax assessment system, lack of tax information and lack of counselling campaigns Higher tax rate decreases wealth disclosure in the tax return and hence causes low tax collection, implying high tax avoidance and tax evasion Poor services of public administrators including NBR, corrupt government officials, lack of audit and transparency have worsened the situation
Psychological factor	Subjective Norm (Hasan <i>et al.</i> , 2017) Morale (Kemme <i>et al.</i> , 2020) Ethics (Kazi Abdul and Khandaker Mursheda, 2023) Negative Perceptions (Islam <i>et al.</i> , 2021)	Subjective norm has a significant influence on tax compliance behaviour Individuals in countries with low tax morale engage in tax evasion Individual tax compliance amongst taxpayers whose primary sources of income are businesses, salaries and other sources is directly and significantly impacted by their ethical standards Negative perceptions of taxpayers to get service in return for paying tax can influence individuals to evade tax
Government factor	Government Initiatives for Improving Tax Collection Service (Abdul <i>et al.</i> , 2021) Quality Service (Jewel <i>et al.</i> , 2020; Rana and Maskujjaman, 2017)	The absence of a participatory policy-making process, lack of research into and reform of the tax system, short-term oriented and politically motivated tax policies, loopholes, anomalies and complexities of tax laws and policies are responsible for creating scope for tax evasion Inefficient tax return system, lack of transparency in the tax collection system, harassment by the tax officer can influence the tax evasion and tax

Table 6.
Factors influencing tax avoidance and tax evasion under individual taxpayers' category

Source(s): Authors' own creation

5.2.3 *Tax administration.* Under tax administration category, factors could be classified as social networks, complex processes, policy-making, political influence and administrative cultural factors (Table 8). Taxpayers' distrust in national officials and legal and government systems have negatively influenced tax morale (Ahmed, 2019). Low probability of detection,

Factors	Citations	Findings
Corporate governance mechanism	Agency Problem (Islam and Hashim, 2020) Corporate Social Responsibility (CSR) (Rashid <i>et al.</i> , 2023)	Superior corporate governance is negatively associated with tax avoidance Higher CSR expenditure reduces tax avoidance, but political connection weakens its role in tax avoidance. Firms with strong political connections are more tax aggressive, whilst weaker connections are more socially responsible
	Audit Committee (AC) Attributes Islam and Hashim (2023)	AC size has a negative insignificant association with corporate tax avoidance, whilst AC meeting has a negative significant relationship to corporate tax avoidance The interaction of AC size and AC independence has a negative significant relationship to corporate tax avoidance. In contrast, the interaction of AC meeting and AC independence positively affects corporate tax avoidance
	Audit (Rashid and Morshed, 2021)	The external auditing has a negative effect on tax evasion by firms
Financial issues	Internal Culture of Giving Bribe (Gauthier <i>et al.</i> , 2021) Training Employees (Hossain and Noor, 2018) Report Manipulation (Rahman <i>et al.</i> , 2018)	Corruption in tax administration tends to be mainly a demand-side phenomenon Training can be used as a tax evasion tool, and in many organisations, it is being used somewhat The reserve and provision are the main way of tax avoidance and evasion, followed by help from a legal advisor, showing less income, more expenses, investment allowances and individual intention
	Ownership and Financial Restrictions (Rashid and Morshad, 2021)	<ol style="list-style-type: none"> 1) The firm's domestic, foreign and government ownership increases tax evasion 2) Proprietorship and female ownership decrease tax evasion 3) The negative relationship between audit and tax evasion implies that the government should make it compulsory to check the financial statements of the firms by external auditors, which, in turn, reduces the firms' tax evasion 4) The firms that face more financial constraints evade more tax than those with access to bank loans and solvent ones
	Ownership (Hassan <i>et al.</i> , 2022; Masum and Hena, 2017)	1) Board ownership and public ownership are significantly and positively associated with corporate tax avoidance
Role of tax authority and policies	Corruption, Improper Behaviour, Tax Policy (Rahman and Karim, 2016)	The contemporary tax policy of Bangladesh, its multiplying tax burden, and its loopholes are the probable stimulus behind the practice of earnings management
	Political settlement, inefficient and manual tax auditing system and very high marginal tax rate (Razzaque <i>et al.</i> , 2023)	Tax evasion activities have been significantly increased by the political settlement in Bangladesh's tax system. Most rich elites can avoid paying taxes because of their political connections; they can file low-tax returns that are not auditable or choose not to register An ineffective, manual tax auditing system exacerbated the prevalence of tax evasion and avoidance

Table 7. Factors influencing tax avoidance and evasion from corporate taxpayers' perspective

Source(s): Authors' own creation

Factors	Citations	Findings
Behavioural aspects	Ethical and Behavioural Aspects (Mannan <i>et al.</i> , 2021)	Tax fairness, taxpayer services, complexities in the tax regime, tax rates, penalties and enforcement and tax amnesties and the black economy are associated with tax evasion in Bangladesh
	Penalties and Punishment (Islam, 2020)	Taxpayer behaviour is influenced by several factors, such as the probability of detection and penalties for fraud, the corrupt practices of tax advisors and tax officials, an inefficient tax auditing system, very low punishment practices and a low risk of getting caught
Complex process	Complex Tax Assessment (Nigar Nargis, 2019; Nargis <i>et al.</i> , 2020; Rahman <i>et al.</i> , 2018; Sarkar, 2022)	Dissatisfaction with existing complex payment systems, lack of tax collector cooperation and lack of counselling campaigns can cause tax avoidance and evasion
Political influence	Politicisation of Tax Authority (Nurnnabi, 2019)	Theoretically, a lack of institutionalisation, a higher level of political influence and corruption result in higher tax evasion
	Good Governance (Rashid <i>et al.</i> , 2023)	Sound governance leads to lower tax evasion in developed and developing countries
	Good Governance (Murshed and Saadat, 2018)	The key role of ensuring good governance within the economy is to incentivise the taxpayers to declare their taxable income correctly
	Lack of Political Stability (Murshed and Saadat, 2018)	Political instability is found to be attributed to tax evasion in South Asia
Administrative cultural factors	Government Services (Abduallah and Ashraf, 2018)	A greater access to public services results in lower tax evasion
	Culture of Corruption (Rana and Maskujjaman, 2017)	The corrupting practice of government tax and administration authority, lack of transparency in the tax collecting system can influence tax evasion or avoidance
	Insufficient Recording, Poor Services (Islam, 2020)	The inefficient tax auditing system and a lack of proper record-keeping system are the factors that influence tax evasion
	Lack of Accountability (Nurnnabi, 2019)	Tax evasion may be mainly due to the corruption and politicisation of the state actors and, of course, to lack of enforcement
	Distrust in the Government (Torgler, 2004)	Distrust of national officials, legal and government systems has negatively influenced tax morale and vice versa.
	Tax Act Execution, Public Spending and GDP Growth (Murshed and Saadat, 2018)	Tax legislation and regulations' implementation have no statistically significant impact on the decline in tax evasion in the economy. Effective governmental spending and allocations are a factor in South Asia's declining rate of tax evasion. A decline in tax evasion can be started by a specific GDP growth rate and GDP level
	Compromising in Tax Prosecution Cases (Ahmed, 2019)	Tax amnesty has failed to be an effective legal mechanism to prevent tax evasion

Table 8.
Factors influencing
association between
the tax avoidance and
evasion and tax
administration

Source(s): Authors' own creation

low penalties, corrupting practices of tax advisors and tax officials, inefficient tax auditing system, very low punishment practices and low risk of getting caught are common factors in evading tax (Islam, 2020). Mannan *et al.* (2021) also identified factors like tax fairness, taxpayer services, tax complexities, tax rates, enforcement, tax amnesties and black economy. In addition, complex tax assessment process could highly impact corporate tax avoidance (Nargis *et al.*, 2020; Nigar Nargis, 2019; Sarkar, 2022). Politically motivated and short-term goal-oriented tax policies, lack of coordinated policy-making system and complexities of policies and laws are liable for tax evasion (Monir, 2012). Politicisation of NBR also facilitates evading tax (Nurunnabi, 2019).

Sound governance incentivises taxpayers to correctly declare their taxable income (Murshed and Saadat, 2018) and leads to lower tax evasion in developing countries (Rashid *et al.*, 2023). Greater access to public services will also lower tax evasion (Abduallah and Ashraf, 2018). More so, relationships between private and public sectors with politics and unaccountability have association with tax evasion (Nurunnabi, 2017). Besides, tax evasion in South Asia is attributed to political instability (Murshed and Saadat, 2018). For social networks, NBR is unaware of the social interaction that leads to tax evasion (Mannan *et al.*, 2021). Complexities of policies (Monir, 2012) and tax assessment (Rahman *et al.*, 2018) are parts of complex mechanisms to discourage tax revenue collection.

6. Comparison of Bangladesh's tax avoidance and evasion factors to the world

Bangladesh is far behind in tax avoidance and evasion research. Table 9 shows the comparison on factors impacting tax avoidance and evasion between Bangladesh and the world. Tax evasion continues to happen despite efforts from tax authorities and the tax system in place (Levaggi and Menoncin, 2016). Taxpayers know the benefits and risks related to tax evasion and it is their choice (Iancu and Popovici-Coita, 2016). A study in Italy by Mittone (2006) discovered that detection and punishment risk and local environment impact tax evasion. This study identified common factors that influence corporate taxpayers to engage in tax avoidance and evasion worldwide. They are agency conflict, ownership structure, governance, complex assessment process and audit. Past studies explore additional factors from the global perspective. Researchers found that external market and governance, social network, firm-level characteristics (Wang *et al.*, 2020) and corporate social responsibility (CSR) (Whait *et al.*, 2018) were motivators for corporate tax avoidance.

Social costs like consumer boycotts can determine corporate tax avoidance (Razen and Kupfer, 2023). Zhu *et al.* (2023) found that firm performances, economic growth, country-level stability and interest obligations are connected with corporate tax avoidance. Tang (2020) noticed that government ownership, agency problems, political connections, tax enforcement, corporate governance and consumption bribery are associated with corporate tax avoidance in China. In Bangladesh, different factors including corruption, NBR service quality, penalties and punishment, political influence, financial restrictions and employee training are found. Only one Bangladeshi study explored tax avoidance techniques such as transfers of revenues by geographical area (Tang, 2020), redevelopment of companies (Barrios *et al.*, 2009) and loopholes in tax legislation (Ftouhi and Ghardallou, 2020). No research covers internal and external organisational factors for tax avoidance in Bangladesh.

7. Discussion and future research agenda

Tax audits concerning tax avoidance have not been studied substantially or with due care in past studies. In some studies, audit is a deterrent against tax avoidance (Kabir, 2020). Incompetent auditing is responsible for tax evasion (Islam, 2020). External auditing has a

Discussion topics	Factors in the Bangladesh context	Factors in the world context
Corporate tax avoidance	<ol style="list-style-type: none"> 1. Agency conflict 2. Ownership structure 3. Audit and role of audit committee 4. Financial restrictions 5. Training employee 6. Internal Corruption 7. CSR 	<ol style="list-style-type: none"> 1. External market (Wang <i>et al.</i>, 2020) 2. External governance (Wang <i>et al.</i>, 2020) 3. Social network (Wang <i>et al.</i>, 2020; Whait <i>et al.</i>, 2018) 4. Firm-level characteristics (Wang <i>et al.</i>, 2020) 5. Agency conflict (Wang <i>et al.</i>, 2020) 6. Ownership structure (Khelil and Khelif, 2023; Wang <i>et al.</i>, 2020) 7. Internal governance (Wang <i>et al.</i>, 2020) 8. Tax fairness, tax knowledge and moral obligation (Kassa, 2021) 9. Social costs_consumer boycott (Razen and Kupfer, 2023) 10. During 1989–2020, firm performances, reduced economic growth, lower country-level stability and more interest obligations (Zhu <i>et al.</i>, 2023) 11. Agency problems, corporate governance and consumption bribery (Tang, 2020)
Individual taxpayers	<ol style="list-style-type: none"> 1. Risk of audit and penalties 2. Tax rate 3. Evaders in society 4. Complex assessment process 5. Morale 6. Education 	<ol style="list-style-type: none"> 1. Benefits and risks associated with engaging in tax evasion (Iancu and Popovici-Coita, 2016) 2. Tax fairness, tax knowledge and moral obligation (Kassa, 2021) 3. Detection and punishment risk, influenced by their local environment (Mittone, 2006)
Tax administration	<ol style="list-style-type: none"> 1. Corruption 2. Service quality 3. Penalties and punishment 4. Political influence 5. Governance 6. Distrust the tax officials 7. Political stability 	<ol style="list-style-type: none"> 1. Government ownership 2. Political connections 3. The roles of book-tax conformity and 4. Tax enforcement (Tang, 2020)
Tax avoidance techniques	<ol style="list-style-type: none"> 1. Report manipulation 2. Fake expense voucher 	<ol style="list-style-type: none"> 1. Tax planning techniques _ tax haven (Armstrong <i>et al.</i>, 2019), loopholes in tax legislation_complex assessment process (Ftouhi and Ghardallou, 2020) 2. Location migration, income shifting through transfer mispricing and intertemporal income shifting through accruals management (Tang, 2020)

Source(s): Authors' own creation

Table 9.
Comparison between the key tax avoidance and tax evasion factors of Bangladesh and world context

negative effect on corporate tax evasion (Rashid and Morshed, 2021). Unfortunately, the tax audit is not examined. This factor may deter tax avoidance in Bangladesh. Future research should study how these factors affect tax avoidance in Bangladesh.

Firm-level characteristics, earnings management, board size, tenure and educational quality of board of directors are potential areas of future research in corporate tax avoidance. Political affiliation of firms' top management will be another area for future research. Involvement of more than 50% of Members of the Parliament who have professional or business backgrounds in several parliaments have transformed Bangladesh (Jahan and Amundsen, 2012). There will be a conflict of interest at the time of making tax-related laws

and regulations. Informal economy of Bangladesh has been increasing over the years. Thus, the formal economy is shrinking, and this may lead to tax avoidance and evasion. Future study can explore it as well. In addition, the impact of green tax on tax avoidance (Uddin *et al.*, 2023) highlights the significance of future studies on how green tax can ensure sustainable development in emerging countries like Bangladesh.

8. Conclusion

This study, using the SLR, reported the factors that influence the individual and corporate taxpayers' tax avoidance and evasion behaviour. The findings are beneficial for Bangladesh's tax policymakers to alleviate these unethical behaviours. One of the crucial areas that need to be covered in future is examining how to curtail the use of informal economies for tax avoidance. This is because Bangladesh lost tax revenue totalling Tk 840bn (The Financial Express, 2023), as people tend to engage in informal economy to avoid tax payments. This paper was limited to studies that are available from Scopus search. Therefore, caution should be made to draw conclusion based on the current review. More studies are required to generalise the findings.

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Further reading

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