Tax Evasion by E-commerce Businesses in Bangladesh

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Abstract

The unnerving momentum at which digital technology is progressing affects many aspects of business operations. For instance, businesses can now promote and sell their products on social media platforms with ease. Importantly, third world countries such as Bangladesh have been able to share in such technological strides along with more affluent nations. In Bangladesh, a myriad of small businesses have emerged with business models that depend on e-commerce platforms. These businesses are thriving in a fiercely competitive market with many of them importing their goods from the United States. One interesting feature in this marketplace is that the prices are much lower than those offered by brick and mortar stores.

To investigate the reasons for this price differential, interviews were conducted with five respondents who operate businesses online and seem to be charging prices much lower than would be expected based on reasonable assumptions about input costs. In addition, to understand the perspective of potential customers, two surveys were conducted related to purchase intentions for two unrelated goods: the iPhone XS and Colourpop Lipstick. The primary objective of the research was to comprehend the price setting procedures adopted by the firms and customers' willingness to buy products at different prices.

My findings revealed that custom tax rates were the major cause for the price differential between brick and mortar stores and social media stores. This became clear from descriptions by the business owners of their procedures to import products in ways that avoid payment of customs tax and in pricing models that clearly do not include customs taxes. The results of the customer study suggest that price is the primary determinant of purchase intentions. Apparently, customers do not mind purchasing from a business that is evading taxes as long as it is cheaper. Importantly, the results indicate that the high tax rates charged by the government discourage citizens from complying with laws.

Keywords: Tax Evasion; Custom Tax; Social Media

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CHAPTER 1: INTRODUCTION

Eight years ago, when I was living in Bangladesh, I went to an authorized Apple store in a shopping center to buy my first iPhone. The iPhone at that time was selling in the USA for $650 US Dollars (USD). But in Bangladesh, I had to pay 100,000 Bangladeshi Taka (BDT), which was equivalent to $1,190 USD. As excited as I was to buy my first iPhone, I was also curious about the $540 price difference between the two countries. I asked the store employee what caused the difference and was told that these cellphones carry about 60% of the original price in custom tax charges imposed on import. I trusted his words and did not investigate the matter.

More recently, by pure accident, I was led once again to consider the prices of cell phones. I was in a Master's program. Most days were stressful, and even though I was done with my finals, I kept thinking about my research idea. I had some ideas, but I felt none of them were worth pursuing. It was late at night, and I was tired; I couldn't think anymore. So, I just decided to relax and use Facebook to communicate with my friends. I saw some hilarious posts and commented on them. For some time, I completely forgot about everything and was just enjoying my look at my friends' lives.

As I continued scrolling down, I saw a post shared by my friend. It was an advertisement from a Bangladeshi social media business. The post came with a nice picture of the new iPhone XS. As I am very curious about electronic gadgets, I clicked on that post to look for more information. The advertisement was offering the iPhone XS in Bangladesh for 99,000 BDT ($1,180 USD). I knew that the iPhone XS was selling in the USA for $999 USD. I was surprised that the price difference between the two countries appeared to be only $181 USD. I recalled my conversation with the store employee from eight years ago and thought that maybe the employee at the store had been lying about the customs tax. But this time, I was curious enough to investigate further.

To check the customs charges on cellphones, I went to the Bangladesh National Board Revenue (NBR) website. I found out that the customs charge on cellphone products is 58.69%. I now knew the store employee was not lying but it made me wonder how this social media business could be paying customs taxes and still be able to sell at such low price. A phone costing $999 USD would require payment of a customs tax charge of $586 USD, making the price in Bangladesh over $1,585 USD. After some thought, it struck me that these businesses might not be paying customs taxes and might simply be evading these taxes in some way. Therefore, I decided to investigate the possibility of customs tax evasion and to determine if the social media aspect of this business might be facilitating the tax evasion.

The issue of tax evasion has attracted the attention of policymakers, researchers, and the general public in Bangladesh as the country continues to embrace technological solutions such as e-commerce. In the 21st century, digital platforms such as social media have created new opportunities for businesses in Bangladesh (United Nations Conference on Trade and Development, 2018). Presently, people can easily communicate with each other irrespective of geographical location and without the effort of meeting face to face. Business organizations are utilizing social media platforms such as Facebook, Twitter, and Instagram to advertise their goods and some are even using the sites to sell their products (Hasan, 2014). Unfortunately, the same capabilities that facilitate business activities may also help business enterprises use social media to avoid paying the appropriate taxes. For instance, the significant price difference between the products sold in physical shops and on social media platforms suggests questions about how such technological solutions reduce the cost of doing business in Bangladesh.

Tax evasion is unlawful and destructive (Hasan, 2014). The practice reduces the revenue available to the government for financing public projects and increases the burden on responsible taxpayers. Bangladesh's government revenue is highly dependent on tax revenues (Nurunnabi, 2018). Some taxpayers might be avoiding their obligations to the community by taking advantage of offshore jurisdictions and potentially lax customs enforcement to avoid tax payment (Hasan, 2014). From 2003 to 2014, tax evasion (as a percentage of GDP) in Bangladesh has consistently been above 40% (Nurunnabi, 2018). However, little attention has been paid to the issue of tax evasion in developing nations like Bangladesh because of the lack of sufficient data.

The current paper intends to address this issue by examining the possibility that some businesses are avoiding customs taxes and using social media to do so. Furthermore, it will provide vital insights that can be used by regulators such as the National Board of Revenue to deal with the menace of tax evasion. The viewpoints of customers and business owners will give insight into the nature of tax evasions and how regulators can make changes that serve the interests of the nation. Using the finding of this investigation, the NBR may be able to improve its capabilities to collect customs tax from business firms and individuals. In the long run, the country hopes to witness continuous economic growth. The government should strengthen the prosecution efforts and laws as the best approach to mitigate the harm caused by levy evasion. The study may also help regulators of other developing countries to understand tax evasion on a social media platform and to revise current tax regulations to mitigate the problem. The outcome of the study will also help competitors, suppliers, and the general public to understand the possible causes of tax evasion and the implications of the practice on the development of a country and wellbeing of its citizens.

Based on the differences in prices for cell phones that I have observed and some guesses as to the potential explanations for those differences, I propose the following research questions for this study.

1.1. Research Questions

i. What are the determinants that lead to the evasion of customs taxes by some businesses?

ii. Does the use of social media facilitate tax evasion by these businesses? If so, how? Is social media the only platform where this tax evasion method could be used?

iii. How does the specific context of Bangladesh contribute to tax evasion in the country?

1.2. Importance of the Research Problem

In the last three decades, Bangladesh has made significant progress in terms of political, social, and economic development. Since the restoration of democracy, the country has been formulating laws and developing programs and strategies that can improve the lives of citizens. Attempts have been made to deal with both internal and external challenges such as recession and climate change to ensure that the country takes the right trajectory towards prosperity (Nurunnabi, 2018). Unfortunately, Bangladesh has a very poor tax culture and low compliance rate, yet the country boasts a very robust informal economy (Ahmed, 2018). The increased movement of capital and globalization of the market, coupled with technological advancements have created new opportunities for growth globally. Like the other nations around the world, Bangladesh has been using its valuable assets and resources to exploit the opportunities created by the recent developments witnessed around the world, including those related to technology (Nurunnabi, 2018).

As part of this strong development, new digital technologies and solutions like e-commerce have created opportunities for companies to engage in both domestic and international trade. The technologies can increase access to customers, improve supply chains, and reduce the cost of doing business through economies of scale (United Nations Conference on Trade and Development, 2018). In addition, technology has provided avenues for increasing the level of specialization and division of labor in the market. It is, however, worth stating that the gains are not always automatic. For a nation to harness digitalization and benefit from different technological solutions, it must create the appropriate infrastructure, set regulations, and develop institutions that will ensure that business engages in legal practices. In Bangladesh, technology has created new market opportunities while also making it hard for the country to implement taxation regulations (United Nations Conference on Trade and Development, 2018). Furthermore, concerns have been raised regarding the ability of the state to enforce taxation regulations on enterprises and traders that rely entirely on technology platforms to carry out their trade (Nurunnabi, 2018; United Nations Conference on Trade and Development, 2018).). The Government of Bangladesh has been trying to motivate taxpayers to pay the appropriate amount of tax. However unethical taxpayers are adept in finding out the loopholes that exist in the country's current tax policy and have been continuing their tax evasion practice (Hasan,2018).

In addition to the potential negative effect of tax evasion on the developing regulations and the ability of government to establish the necessary systems, it may also impede progress by reducing funds available to the government to carry out its other agendas. Taxation has been widely used as a significant source of government income for advancement projects. For a nation such as Bangladesh to experience economic growth, it is essential for the government to focus on infrastructure development and investment in different industries. However, significant amounts of tax evasion will result in government revenue accumulation that is inadequate (Ahmed, 2018). Thus, it is crucial for the government of Bangladesh to prevent tax evasion in order to continue its efforts to stimulate economic advancement. Regardless of the consistent rise in tax revenue collection over the past years, the records show that the gap between taxes levied and those paid has expanded annually (Hasan, 2014). The increasing difference has been attributed to a wide range of factors including the growth of complex business models and the high levels of corruption in Bangladesh (Ahmed, 2018; Hasan, 2014).

The challenge of tax evasion is as old as taxation itself (Alm, 2012). As soon as governments decide to impose taxes, residents and business organizations attempt to avoid paying them (Song & Yarbrough, 1978). Even though this problem is widespread in numerous economies around the world, it has become even more prevalent due to the forces of internationalization, which provide new means of evading taxes and often minimize the probability of the scheme being noticed (Alm, 2012). In addition, the increasing prevalence of the issue is hurting the economies of developing nations and making it difficult for governments to meet their social obligations. Consequently, there is a growing need to analyze and understand the issue (Alm, 2012).

In Bangladesh, globalization and technological advancements have enabled many people, especially foreign investors, international businesses, and expatriates to escape paying taxes (Ameyaw & Dzaka, 2016). Developing or third world countries, such as Bangladesh, are highly susceptible to tax evasion practices of personal taxpayers (Hasan, 2014). In developed nations, such as the United States and the United Kingdom, tax revenues enable governments to meet the needs of citizens and carry out development projects (Ameyaw & Dzaka, 2016). The use of effective taxation systems and successful implementation of tax laws have allowed the developed nations to collect revenue that is used in a wide range of areas including healthcare delivery (Henderson Global Investors, 2005b). In the emerging economies, however, issues such as tax evasion have denied the government income and hindered development in some sectors such as education (Hasan, 2014). In both developed and developing countries, administrations face the challenge of tax evasion every year leading to the loss of millions in revenues (Ahmed, 2018; Kleven, Landais, Saez, & Schultz, 2013). However, the problem appears to be more rampant in the developing nation such as Bangladesh where the large-scale evasions are reported every year (Hasan, 2014). Consequently, nations like Bangladesh need to deal with the menace of tax evasion in order to grow and develop. There is a need for citizens and traders to understand the detrimental effects of tax evasion and the importance of supporting preventive measures initiated by the government.

CHAPTER 2: LITERATURE REVIEW

Taxation policy and practices have been among the most widely discussed and debated issues around the world. Studies and surveys have been done to explore different aspects of taxation including capital gain taxation, personal income tax, tax evasion, and efficiency of the tax administration processes (Song & Yarbrough, 1978; Slemrod & Yizhaki, 2000; Savoie & Payne, 2012; Ahmed, 2018). This chapter provides an overview of the previous research on the issue of taxation and tax evasion to get vital insights into the primary objectives of the study. The review examines the literature on taxation, tax evasion, types and causes of tax evasion, and the implications that it may have on the growth of a nation and the wellbeing of its citizens.

2.1. Taxation

A tax can be defined as a mandatory levy or charge that is imposed on citizens by governmental agencies and organizations to fund various public expenditures (Henderson Global Investors, 2005; Song & Yarbrough, 1978). While necessary to support the government, taxation can be a burden on entities that are required to pay taxes (Henderson Global Investors, 2005). Irrespective of the contextual factors in play, governments strive to maximize their earnings to be able to address the needs of citizens and provide critical services such as education, transportation, and healthcare (Henderson Global Investors, 2005b). Previous studies have explored the different objectives associated with taxation and the impact that the practice has on the growth and development of a nation (Khlif & Achek, 2015; Marriott, 2017). A wide range of challenges such as tax avoidance, tax evasion, and tax loopholes can threaten the achievement of these objectives. These issues need to be addressed when exploring the context of taxation in the current globalized and highly dynamic world.

2.2. Objectives of Taxation

Taxation remains a major avenue through which public budgets are financed in many countries around the world (Abdul & Wang'ombe, 2018; Dent, 1991; Payne, 2018). In addition to the necessity of imposing taxes in order to improve the wellbeing of the citizens and contribute to economic development, taxation is an essential tool that can be used by the government to control the inflation rate, circulate money in the economy, provide critical services such as healthcare and education and enhance specific areas of the economy (Payne, 2018; Kirchler, Maciejovsky, & Schneider, 2003; Noked, 2018). The use of taxation to minimize disparities in wealth and income levels has also attracted the attention of researchers and experts (Noked, 2018). Through taxes, governments can promote saving and investments while also imposing limitations in the use of a specific category of products and services (Kirchler et al., 2003). Song and Yarbrough (1978) stated that the charges might take different forms depending on the laws of the nation and what the government intends to achieve. Abdul and Wang'ombe (2018) added that governments strive to come up with effective tax systems with the intention of promoting economic development and increasing the levels of investment and savings.

Researchers and experts have further investigated the use of taxation systems and structures as a way of protecting domestic industries from unfair competition (Abdul & Wang'ombe, 2018; Kirchler et al., 2003). In such cases, the tax structures provide an incentive for the local business sectors to develop and meet the needs of citizens (Abdul & Wang'ombe, 2018). Payne (2018) noted that governments could impose tariffs on imported goods and services with the objective of making the locally available options cheaper. In this protectionist approach, investors are discouraged from importing foreign items that can be sourced locally so that the domestic industries can grow. Concerns have been raised about the significance of the practice and how it hurts international trade. For the proponents of a free economy, trade tariffs give local industries an unfair advantage while also exposing importers to economic risks that can adversely affect their businesses (Abdul & Wang'ombe, 2018).

2.3. Tax Avoidance and Tax Evasion

Tax avoidance can be described as a legitimate method of minimizing the amount of taxes paid to the government and its agencies (Ahmed, 2018; Henderson Global Investors,2005b). In this case, taxpayers rely on different methods to take advantage of details or applicability of the tax codes in order to minimize their tax obligations (Akcigit, Baslandze & Stantcheva, 2016). For business enterprises, the process of tax avoidance entails using all the available legal deductions as well as setting up programs such as employee retirement plans to lower taxes. In all these instances, the organization relies on the existing tax regimes to its advantage and reduces the amount of taxes payable within the law. While the process may not be illegal, some believe it denies the government access to resources that could have been used for development and to meet the needs of citizens (Ahmed, 2018).

The other issue that has attracted the attention of researchers and experts is the concept of tax evasion. According to Ahmed (2018), tax evasion is the illegal practice of intentionally avoiding payment of an actual tax liability. Consequently, any person caught evading obligations is generally subject to criminal charges and substantial penalties. Tax evasion relates to both the illegal nonpayment as well as the unlawful underpayment of taxes. Tax evasion is often committed by providing false information to the taxing authority about business income or expenses (Johannesen & Zucman, 2015). While tax evasion is illegal, tax loopholes is not illegal per se, and benefits the tax payer regardless of whether the taxpayer took a specific position with the desire to evade taxes. In countries such as the United States, there are significant loopholes in US tax law such as the one that allows corporations to avoid many international commerce tax consequences by using offshore tax shelters (Slemrod & Yizhaki, 2000; Savoie & Payne, 2012).

Over the years, attempts have been made to highlight the differences and legal implications related to tax avoidance and tax evasion. Even though tax avoidance is a matter of plan, some people argue that it is unethical because everyone should pay their share of taxes. Tax evasion, on the other hand, is both illegal and immoral because it entails deception and concealment (Hansen, Crosser, & Laufer, 1992). While taxpayers do not disclose tax evasion, individuals and corporates usually reveal their tax avoidance schemes (Cross & Shaw, 1982; Hansen et al., 1992). Since the two practices have similar effects in terms of the amount of tax revenue received by the government, economists believe that they ought to be analyzed and examined together (Cross & Shaw, 1982; Hansen et al., 1992).

Economists might see tax evasion and tax avoidance as the same, but accounting professionals and researchers believe they are different even though there is a thin line that distinguishes the two concepts. While it may be possible to draw a clear-cut theoretical line between tax evasion and tax avoidance, some ambiguous tax problems are characterized by legal interpretations that could be suspect (Hansen et al., 1992). Frequently, these types of problems involve what may be referred to as legal "loopholes." Interpreting the loopholes to the benefit of the taxpayer is not illegal per se, regardless of whether the taxpayer took a specific position with the desire to evade taxes (Alm, McClelland, & Schulze, 1992; Kirchler et al., 2003). When the law draws a particular line, some taxpayers look for ways of appearing as if they are complying with it with the intention of exploiting the available opportunities (Hansen et al., 1992). However tax avoidance does not qualify as an illegal act so taxpayers try to exploit such options rather than directly evading taxes and conducting an illegal act.

2.4. Types of Tax Evasion

2.4.1. False Income Reporting

False income reporting (FIR) is the most common form of tax evasion in developing nations (Kleven et al., 2013). It is characterized by the willful attempt by an individual to evade taxes or defraud the tax agencies by giving inaccurate information on an individual's level and sources of income (Peng, 2016). False reporting makes it difficult for tax agencies to accurately determine the tax obligation of each individual or company and assessing the proper amount of tax.

2.4.2. Committing Identity Theft

The second tax evasion method that has been explored in previous studies is the practice of identity theft. According to Peng (2016), identity theft can take different forms with regards to taxation. One of the methods that tax evaders use is the filing of returns using fake or false social security numbers. The process may also entail claiming exemptions for youngsters or other dependents who are not under their care. As another example, taxpayers may engage in refund theft by using the identity of another person to get tax refunds (Carrillo, Pomeranz, & Singhal, 2017; Peng, 2016). In such instances, the identity thief will make claims for the refunds even before the taxpayer has filed his or her tax returns.

2.4.3. Evasion of Custom Tax

Another category of studies and reports have focused on the practice of evading custom taxes. Customs taxes are the tariffs or duties that are imposed on goods coming from the international market or foreign countries (Ahmed, 2018). The primary goal for imposing the customs duties is to protect a nation's economy, local sectors and the environment. In addition, the taxes are intended to control the flow of goods and services in and out of the country (Hasan, 2014). Some individuals and organizations have developed ways of evading customs taxes using a wide range of methods (Carrillo et al., 2017; Peng, 2016). Some of the more common ways used to avoid these taxes include the underreporting of unit value, underreporting of taxable quantities, misclassification, shifting to a product classification with a lower tariff duty, and smuggling (Hasan, 2014).

2.4.4. Evasion of Value Added Tax

Value Added Tax (VAT) refers to the incremental charges that are imposed on a product or a service at every given stage of distribution or production. According to Smart and Bird (2009), VAT is meant to compensate for the shared infrastructure and services that are offered in a particular region or area by the state and funded by the taxpayers. However, it is also imperative to state that not every locality will require VAT to be charged on all goods and services, especially those that are meant for export

(Carrillo et al., 2017; Peng, 2016). This form of taxation acts as significant revenue for federal and state governments.

2.4.5. Transfer Policy

Transfer policy is one of the most discussed issues when it comes to the process of international taxation. This procedure is used to control pricing among two divisions of a multinational company doing business together, shifting profits to the division operating in the jurisdiction with the lower tax rate and thus minimizing overall corporate taxes. Since the state generates most of its revenue through taxation and uses it to create effective means and systems of production and business, it should not be excluded from the discussion involving the appropriateness and legality of transfer pricing (Henderson Global Investors, 2005b). When organizations and individuals engage in practices such as transfer mispricing, they deceive the tax authorities and manipulate the market in a manner that will lead to adverse effects on the social and economic wellbeing of citizens.

2.5. Negative Effects of Tax Evasion

One of the significant administrative goals of governments around the world is to maximize the fiscal revenue raised through sources such as taxation. It is undeniable that tax evasion remains a major issue that weakens governments and lowers their ability to provide public services and products (Deb & Chakraborty, 2017). In addition, tax evasion can have adverse effects on the economy by increasing the cost of enforcement, reducing the government's ability to pay for its loans, and denying citizens access to critical services (Carrillo et al., 2017). These are issues that have been examined widely in previous studies with the objective of providing evidence that can assist stakeholders to understand the implications of evading taxes.

Ameyaw and Dzaka (2016) stated that tax evasion causes various detrimental impacts on different areas of an economy and puts adverse pressure on the national economy. According to the authors, the practice of evading taxes obstructs the precision of microeconomic data and results in a poor allocation of development resources required to facilitate economic growth. Besides, it changes the distribution of returns randomly and unpredictably. In some cases, it has been reported that the practice of escaping tax payment puts the government in a position where it cannot deliver its legal mandates and duty of enhancing people's living standards.

The economic impact of evasion has been witnessed in different countries around the world over the last decade. Ameyaw and Dzaka (2016) highlighted the case of the UK and Greece where tax evasion leads to the annual loss of about $21 billion and $30 billion, respectively. In developing economies, such as Bangladesh, the loss of levy returns is approximated to be $285 billion every year (Ameyaw & Dzaka, 2016). Money shortages can lead to the economic instability of a nation and in some instances, the government is forced to increase tax rates to make up for the losses caused by evasion. This places a high burden on people who are willing to comply with taxation policies (Noked, 2018). The upsurge of such tax burdens on a few compliant citizens may not be economically achievable because of the ethical matters as well as social and cultural issues (Ameyaw & Dzaka, 2016). Governments that develop effective taxation system ensure that all people comply.

2.6. Determinants of Tax Evasion

Past studies have identified several factors as the primary determinants of tax evasion. Fallan, Antonsen, Fallan, and Olsen (2018) hinted that weakness in financial statements and tax returns could influence tax evasion. Implementation of taxation rules set by government and how the officials were trained could also be determinant factor of tax evasion (Bhuiyan, 2012). Ameyaw and Dzaka (2016) listed income source and level, tax burden and appraisals, gender, taxation rates, tax system, morale and perception, family status, and penalties as elements that increase the avoidance of tax payments globally.

2.6.1. Tax Rates and Financial Factors

The role of high tax rates and burden in the rising cases of evasion has been examined in previous studies. Individual taxpayers and business organizations may feel motivated to look for avenues of evading taxes due to high taxation rates and increased tax burdens (Khlif and Achek, 2015; Richardson, 2006). There is some indication that governments could widen the tax base and enhance compliance among taxpayers by lowering the taxation rates (Khlif and Achek, 2015). Increased rates, on the other hand, could arouse fear in taxpayers and encourage them to look for avenues for evading such levies. Similar sentiments were raised in another study by Richardson (2006) that showed that taxpayers are only willing to adhere to the existing laws when they do not feel burdened by the government. The author further stated that increments in taxation levels could force individuals and organizations to develop defiant habits at the expense of public interest and economic development.

2.6.2. Economic Factors

Tax evasion has been associated with different economic factors affecting individuals and organizations (Kleven et al., 2013). Kong and Wang (2014) conducted a systematic review to identify the economic factors that influence tax evasion. The authors found that the most common elements that trigger people to evade paying levies included income level, penalties, marginal tax rate (MTR), audit fees, and sources of income. Dalu, et al. (2012) noted that middle-income individuals strive to meet their tax regulations because of the psychological and mental consequences associated with evasion. The high- and low-income earners, on the other hand, were found to have a reduced propensity of paying taxes. Kong and Wang (2014) further stated that there are certain sources of income such as farming and small-scale business that often trigger and encourage tax evasion. Those who are self-employed often look for ways of evading taxes to maximize their returns on investment. Public service officers, on the other hand, are unable to escape the levies because they are paid by the government and are expected to follow all the taxation rules. Kong and Wang (2014) also noted that private sector organizations and employees were more likely to evade taxes compared to public sector enterprises and workers. The trend was largely attributed to the lack of an effective taxation system that could make it easier for people to shirk their tax obligations.

Changes in income level caused by the prevailing economic conditions seem to affect tax evasion patterns around the world. Ameyaw and Dzaka (2016) remarked that fluctuations in low and high-income levels have contributed to the rising number of tax evaders globally. Fallan et al. (2018) added to the debate by stating that better remuneration in the workplace could lead to increased tax compliance since employees who are paid less may not see the need to meet their tax obligations. It is, however, worth stating that other researchers such as Kong and Wang (2014) have noted that increased income levels also increases the chances of tax evasion. The authors argued that the public expects well-remunerated citizens to showcase their financial status by paying taxes while people with lower levels of earnings are anticipated to conceal their real salary from tax authorities (Ameyaw & Dzaka, 2016; Gashi & Kukaj, 2016). The conflicting findings from such studies complicate our understanding of the link between taxation and income levels. Richardson (2006) stressed that income elements are the primary driving forces of dealing with tax evasion. He also noted that better remuneration could be used as an incentive to motivate people to pay their taxes.

2.6.3. Managerial or Administrative Factors

Results from experimental studies have yielded mixed findings with regards to the relationship between penalties for nonpayment of taxes and evasive behavior among taxpayers (Thomas, 2015; Richardson, 2006). Ameyaw and Dzaka (2016) stated that there was no significant link among tax evasion, levy penalties, and detection likelihood. Thomas (2015), on the other hand, stated that acquiescent habits of the regularly appraised taxpayers decreased at a high rate because of constant auditing. Although the studies have used diverse methods and produced various results, they indicate the possible impact of administrative fines on the tax evasion behaviors among individuals and organizations (Noked, 2018).

2.6.4. Cultural Factors

The cultural practices, views, and beliefs in a nation may also determine the extent to which individuals and enterprises evade taxes. In developing countries, the lack of the rule of law and weak financial authority make it difficult for the government to realize their taxation goals. The underlying cultural practices will determine how the government deals with tax evaders (Yücedoğru & Hasseldine, 2016; Richardson, 2006). Fiscal courts are vital in a country as they defend the taxpayer's rights and protect them from unpredictability. When the government system is unable to function in alignment with the rule of law, people have a fear of uncertainty, disparity, uneven distribution of resources, and discrimination (Ameyaw & Dzaka, 2016). In such instances, the government may struggle to deal with cases of tax evasion while some citizens may not see the need to comply with the existing taxation rules and regulations.

2.6.5. Demographic Factors

The influence of demographic factors on tax evasion is an issue that cannot be underestimated, especially in the case of developing nations. Researchers have examined how factors such as gender and age affect tax evasion behaviors among citizens (Noked, 2018; Khlif & Achek, 2015; Marriott, 2017; Akcigit et al., 2016). Richardson (2006) stated that female taxpayers are more acquiescing than their male fellows. Ameyaw and Dzaka (2016) also reported that females appeared to be more intolerant to evasion compared to their male counterparts. When it comes to age, Richardson (2006) found that older taxpayers seem to be more adherent to taxation laws than younger people. The trend was attributed to the fact that young people are risk takers who are also insensitive to the penalties that may be imposed on them for evading taxes. Ameyaw and Dzaka (2016) found that citizens aged over the age of 65 mostly obey the enacted tax laws. Further empirical studies are required on the subject with reference also being made to the possible role of confounding variables such as level of income and the prevailing economic conditions.

Race and educational background are among the other demographic factor that may affect tax evasion behavior among individuals. Richardson (2006) conducted extensive research on the subject of tax evasion and found that Caucasians are more compliant taxpayers than their Asian or African American peers. Studies of the connection between tax compliance and the level of education have produced mixed results (Richardson, 2006).

2.7. Contributions of Government on Tax Evasion

The government contributes to tax evasion by providing low-quality services and development projects. Hassan (2014) remarked that citizens anticipate some form of service and development projects in return for the taxes imposed by the government. When the authorities are incapable of offering to the general public the commodities and expected services or deliver them inadequately, residents may be unwilling to pay taxes and tax evasion becomes rampant in the country (Alm, 2012). Even as the government strives to improve compliance with taxation laws, attempts should also be made to ensure that citizens get value for their money. The process entails ensuring that they get access to high-quality services such as healthcare and education so that they can live a better life.

The nature of tax systems and the level of transparency within the government can also influence evasion behavior among individual and corporate tax taxpayers (Khlif & Achek, 2015; Marriott, 2017). Alm, Martinez-Vazquez, and McClellan (2016) state that corruption and transparency can affect the degree to which individuals and organizations comply with taxation rules. Limited transparency and responsibility in the use of tax revenues by the government leads to public distrust. Moreover, it leads to a high tendency to evade taxes. When people's readiness to pay taxes is affected, they will strive to devise ways of evading taxes (Akcigit et al., 2016). Zaman (2014) further noted that taxpayers could avoid taxes when the expense of bribing an auditor is cheaper than paying the actual taxes.

The government has the mandate to enact and enforce taxation laws in a nation and ensure that there is a high level of compliance. However, weak enforcement policies and systems may lead to tax evasion, especially in developing countries. The lack of sufficient resources for identifying and preventing unsuitable financial activities promote duty evasion and encourage taxpayers to be non-compliant (Hoi, Wu, & Zhang, 2013). There are cases where the governments are accused of coming up with complex laws and systems that promote non-compliance. Experts have further stated that the constant alteration of tax regimes and codes often lead to confusion and complicate the process of encouraging and promoting compliance (Akcigit et al., 2016; Johannesen & Zucman, 2015; Kleven et al., 2013). Hoi, Wu, and Zhang (2013) stated that a complicated taxation system leads to both intentional and unintentional evasion. In some cases, tax evasion becomes unavoidable within an economy when the government creates complex systems that are difficult to follow (Zaman, 2014). When taking these factors into account, it is evident that governments have a critical role to play when it comes to addressing the problem of non-compliance and tax evasion.

2.8. Tax Evasion/Avoidance by New Economy Firms

Today, the utilization of technology in a business transaction, coupled with the growing popularity of e-commerce has led to the loss of taxes that could have been used for the development and provision of critical services (Backache-Beauvallet & Bloch, 2018; Smart & Bird, 2009). The internet and other computer-based technologies have made the transactions and activities of some conglomerates invisible and undetectable, thus allowing companies to expand their market shares without actually paying the necessary value-added taxes (Smart & Bird, 2009). Backache-Beauvallet and Bloch

(2018) concur that online sites such as Amazon and Google enable businesses to operate across borders and deliver products while paying reduced taxes. The authors added that large internet firms attempt to transact a high volume of commercial activities mainly in developed nations that are well established yet impose very low levies, even though these large internet firms' availability in these countries is well-known (Backache-Beauvallet & Bloch, 2018). Nations such as Italy have imposed levies on Internet usage as a way of addressing the problem of tax evasion caused by innovations like Google and Facebook.

The imposition of VAT and other sales levies that occur on the online platforms is a significant challenge that continues to draw the attention of governments, taxpayers, business, and experts in the fields of technology and taxation (Smart & Bird, 2009). The levying of taxes on online sales has become a notable problem because distinguishing personal transactions and financial activities is not an easy task (Smart & Bird, 2009). Organizations can create several domains and platforms for their sales to the detriment of the tax collecting agencies (Bourreau, Caillaud & De Nijs, 2018; Smart & Bird, 2009). While experts agree that governments are working to come up with a response to the problem, available research evidence shows that many nations, especially the developing ones, are struggling to solve the issue.

Governments throughout the world are reacting to the problems of tax compliance by identifying and prosecuting evaders (Clemens & Nadine, 2009). The process of monitoring tax compliance is complex and difficult, especially in developing nations because of several factors such as corruption and the growing popularity of online trading and electronic transactions (Basu, 2008; Dinah & Cecily, 2018). According to Leaderman (2009), since online activities have become more global, people became comfortable with web payments such as paypal, which enables transactions from anywhere to anybody and lets businesses accumulate balances in their accounts. Monitoring such transactions is a major challenge in developing economies.

Traditionally, national and international business activities were supposed to involve the physical presence as the tax basis of evaluation (Peng, 2016; Barret & Gendron, 2005; Olbert & Spengel, 2017). However, digital platforms and systems such as internet-based servers have allowed organizations and taxpayers to file their tax forms without having to visit the relevant offices (Peng, 2016). Since Internet can be accessed from anywhere it is difficult for taxation agencies to locate a physical location of the businesses within a particular jurisdiction, leading to tax evasion (Peng, 2016).

Gamannossi and Rablen (2017) provide a network model of the tax avoidance decision in which taxpayers are assumed to have a fundamental concern for income relative to a benchmark that is based on both self and social comparisons. Individuals observe the consumption of a subset of others (the reference group) with whom they are linked on a social network. In this context, some individuals may seek to evade tax to consume more relative to those against which they compare themselves. Zeebiz (2017) explains that the government in India has been working on Project Insight to monitor social media posts in an attempt to match spending patterns with tax declarations. Officials hope to be able to spot those who pay too little tax without raiding offices and homes to gather information as is currently done. The system being implemented by government in India is expected to increase tax compliance up by 30-40% during the first phase of the project.

2.9. Social Media Effects

In the same way the advent of the Internet revolutionized business and made tax collection more difficult, social media has changed the relationship between a company and its employees, customers, competitors, suppliers, investors, and the media (Yang & Lim, 2009). Social media has become a critical part in people's daily lives and also plays an important role in tax avoidance and evasion (Aral & Walker 2011; Aral & Walker, 2012; Hill et al. 2006, Asur & Huberman 2010).

Not only does social media lower the cost of operation for business, it is also used as a medium by businesses to elevate the chances of reaching to its targeted customers. It is also used to manipulate purchase decision of the buyer. Bai, Yao, and Dou (2015) concurred by stating that social factors, such as social support, seller uncertainty, and product uncertainty can significantly enhance users' purchase intentions. Che, Cheung, and Thadani (2017), on the other hand, reported that organizations have an interactive framework of trust through social media tools to influence purchase decisions. The effect has been examined in various contexts, including bargaining (Jasmine, Christy, & Dimple, 2017), industrial buyer-seller relationships (Barker, 2009), and market research (Moorman, Deshpande & Zaltman, 1993). In addition, the platform enables businesses to promote products and conduct business in a way that makes it difficult to detect tax evasion (Genschel & Schwarz, 2011).

2.10. Taxation in Developing Countries

Concerns have been raised about the effectiveness of the taxation structures and the ease of collecting taxes in the developing world. Experts have stated that policy conflicts often arise as attempts are made to improve administrative efficiency while also developing policies that will encourage citizens to meet their tax obligations. The growing sectors in the developing nations usually provide convenient areas of focuses for the government with the primary goal of increasing the amount of revenue that the country collects from taxpayers (Jasmine et al., 2017). Unfortunately, the dependence on specific industries and businesses such as the export sector often leads to excessive taxation and gives business and individuals reason to evade taxes (Marriott, 2017; Akcigit et al., 2016). In Argentina, for example, the government has heavily taxed the export sector and the practice has led to the loss of significant revenue as enterprises focus on finding loopholes that can enable them to reduce their tax obligations (Hill et al., 2006). In Africa, governments have excessively used export taxes when it comes to different sectors such as agriculture (Ameyaw & Dzaka, 2016). In the case of India, the government has also relied on the heavy taxation of the domestic production, a strategy that has led to the distortion of the tax structures and leads to rising cases of evasion (Zeebiz, 2017).

Due to the prevailing economic conditions and the lack of appropriate policies, some developing nations over-rely on taxing large enterprises and overlook other taxpayers. The reliance on the large taxpayer units and the major firms in a nation can lead to poor monitoring of small businesses and enterprises that rely on the internet to carry out their operations and transactions. When small firms realize that their activities are not being monitored, they may fail to meet their tax obligations (Asur & Huberman 2010). Some of these organizations may wrongly declare their returns so as to reduce the tax burden and the established forms that require the use of high quality financial and accounting standards. The outcome of such practices is that the government will lose out on revenue that could have been used for the development and provision of critical services (Ahmed, 2018).

Finally, the effect of politics on taxation practices in developing nations has also attracted the attention of scholars and experts. In some developing nations, the harsh political climate and government instability makes it difficult for the state to come up with reliable taxation policies and structures (Aral & Walker, 2011; Aral & Walker, 2012). In other cases, the political influence and relations in the country lead to tax evasion and the formulation of policies that cannot be used to appropriately monitor the taxation process (Aral & Walker, 2011). The lack of professionalism, political intervention, and widespread corruption can create an environment in which the government cannot raise sufficient revenue due to the impact of widespread corruption.

2.11. Taxation in Bangladesh

Demand and supply of goods and services lie on an intricate scale of balance in an economy and the government of Bangladesh modulates tax regulations to keep these forces in check. Like many developing nations, Bangladesh levies import taxes on goods with the goal of protecting the local industries (Ahmed, 2018). The government hopes to increase the demand for certain goods and services that are locally made by increasing the taxes levied on foreign products. In this sense, tax regulation becomes a medium of balancing between supply and demand rather than an avenue for addressing challenges such as poverty and providing critical services (Aral & Walker 2011; Ahmed, 2018). Although the approach may have positive effects such as creating a favorable environment for local enterprises to thrive, concerns have also been raised regarding the ethical issues affecting and surrounding the strategy (Aral & Walker 2011).

In countries such as Bangladesh, corruption by government officials is considered to be the main contributor of tax evasion (Zaman, 2014). The failure of the politicians and other government officers to keep their promises to citizens along with the misappropriation of taxes for personal benefits by those in authority have elicited strong reactions from experts, scholars, and members of the public (Ahmed, 2018). In some cases, the low tolerance of lawyers and their willingness to violate laws for personal benefits have also been cited as some of the primary challenges that Bangladesh faces as it strives to use taxation to balance between supply and demand for goods. In a small like Bangladesh, when political affairs provoke bribery and inappropriate methods of tax evasion, it should be appropriately monitored and brought to the attention of the government to fix such problems (Ahmed, 2018).

Ahmed (2018) stated that tax evasion is a major challenge affecting Bangladesh. Both individual taxpayers and businesses look for ways through which they can reduce their tax obligations. The process often entails using other people's identities, wrongful declaration of earnings and the use of online-based transactions to evade taxes. The past two decades, which have witnessed the rise of Information and Communication Technology (ICT) and popularity of the Internet, especially social media networks, businesses in Bangladesh have established a new way of conducting transactions and evading taxes (Olbert & Spengel, 2017).

Hasan (2014) noted that the levying of high taxes was among the primary ways through which the government was contributing to tax evasion in Bangladesh. The author stated that many people feel that the government is placing a high burden on them while also failing to account for the revenue gathered. Instead of meeting their tax obligations, individuals focus on maximizing their disposable income and accessing services and products that will improve the quality of their lives. The misuse of the public funds by leaders, coupled with the growing level of corruption, has created public distrust and motivated some people and enterprises to evade taxes (Carrillo et al., 2017). In other instances, the government has increased the tax burden on taxpayers through high rates in spite of the poor development records of the previous years. Such events have made tax evasion a major challenge that continues to plague Bangladesh and hinder economic and social development.

Tax evasion is a menace that continues to impact negatively on all citizens. It denies the government revenue that could have been used to develop the country and provide essential services to citizens (Ahmed, 2018). Many of the people of Bangladesh support putting pressure on the government to deal with the menace while also playing their role by meeting all tax obligations. Tax laws should also be favorable to the businesses as well as the government. The government should not introduce rules that force companies to pay an unjustified amount of taxes, which will lead to the avoidance of taxes and bribing of government officials (Zeebiz, 2017). A change is very much needed for a country like Bangladesh so the economy can perform better as a whole.

2.12. Contributions

The first categories of people who can benefit from this study and use it to deal with the issue of evasion are the tax agents. Levy officers are given the mandate to ensure that individuals and business comply with tax rules by paying all their levies (Carrillo et al., 2017). The results of the current study will give important insights that can assist tax agents to understand how organizations are using social media to evade taxes. They will get vital information on the techniques that can be used to identify tax evaders. These agents will then be better placed to carry out their duties effectively.

Researchers and scholars can also gain important knowledge on tax evasion from this study. It attempts to demonstrate one avenue that modern enterprises are using to avoid paying levies. Since the issue of tax evasion has not been studied extensively in Bangladesh, the current project will provide one basis for understanding the challenge. Furthermore, it may spur additional investigations into the challenge and provide information that can help scholars make recommendations on solutions that the government can embrace.

The Bangladesh government will also benefit from the results of this study. Once the data is collected and analyzed, attempts will be made to provide details on the issue of tax evasion in the country and interventions that can help in managing the problem. Government agencies such as the NBR need to identify the issues that affect the revenue collection system and methods of addressing the issues that lead to tax evasion. The study will attempt to make some significant contributions to policymakers by offering a detailed understanding of one type of tax evasion. Using this information, the government will be better placed to develop measures that can be used to identify and monitor potential tax evaders in Bangladesh.

Finally, students can also use the current study as a reference point when exploring different issues related to taxation in the fields of accounting, management, finance, and auditing. Taxation is an important concept that applies to a wide range of areas of study such as auditing and management. The study can help learners to understand the subject of tax evasion within the context of Bangladesh. They can borrow insights and ideas from this study and use them as the basis for conducting further investigations into the issue of taxation.

CHAPTER 3: RESEARCH METHODOLOGY

3.1. Introduction

This chapter examines the approach that was used to collect and analyze data in order to produce an informative response to the formulated research questions. The main focus of a methodology section is to ensure that the approach taken to collect data and investigate the research question fits the target population and that respondents are treated in an ethical manner, keeping their information protected (Yin, 2010). The primary research design for the thesis is a mixed method approach, which relies on interviews of business owners and a survey of customers both conducted in Dhaka, Bangladesh. The data was obtained from interviewees who discussed their business models and how they make use of social media platforms. As this means of conducting business is relatively new in Bangladesh, data to conduct an empirical study was difficult to obtain. Further, the qualitative approach allows for a more in-depth understanding and for probing of responses from participants, something that is not available for empiricists. A customer survey was also conducted, which allowed for some broadening of the perspective the study can offer. This chapter examines both the qualitative portion of the proposed study and the customer survey.

3.2. Research Design

A mixed method research design was used in the study. The process entailed collecting both qualitative and quantitative data (Grafton, Lill, & Mahama, 2010; Yin, 2010). Qualitative data was used to explore the potential that custom tax evasion is being engaged in by on-line businesses in Bangladesh. According to Soltes (2014), the qualitative method enables the researcher to collect data from the field in the form of opinions and perceptions. Quantitative research, on the other hand, entails conducting empirical investigations of an issue or phenomena through collection of discrete, often numerical data and the use of mathematical, computational, and statistical methods to analyze it. The information gathered through the two methods together provided vital insights into the issue of tax evasion and how social media platforms may be used to facilitate it.

The rationale behind using the mixed method rests primarily on the premise that the shortcomings of the individual methods (quantitative and qualitative) will be compensated by the strength of the other (Soltes, 2014). In addition, the approach helped in gathering both qualitative and quantitative data to provide a multi-perspective discussion of the research questions. It is also worth stating that the mixed method assisted in identifying the empirical contradictions that could otherwise have been missed in cases where a single approach was utilized (Soltes, 2014).

3.3. Qualitative Data and Analysis

The study relied on interviews of individuals or business owners within my network of associates and acquaintances. Interviewees were individuals or business owners who sell either cosmetics or electronics. These products have been chosen because they are in high demand in the Bangladesh market and are frequently sold by firms using Facebook as their selling platform. Furthermore, these products also have high custom tax rates as they are treated as luxury goods in Bangladesh (Ahmed, 2018). To ensure that my interviewees were potential tax evaders, I interviewed business owners who import such products from other countries. I conducted a total of five interviews, with a goal of interviewing at least two businesses selling electronics and two selling cosmetics.

There are three primary types of interviews that can be used to collect research data. These are structured, unstructured, and semi-structured interviews. The structured interviews entail asking a specific set of predetermined questions (Myers, 2013). The unstructured interviews are flexible and consist of questions that are not prepared in advance. Semi-structured interviews entail asking open-ended questions that can allow for follow up and in-depth discussion about the issue at hand (Myers, 2013). In this case, the respondent is accorded the chance to provide his or her answer to the question and give further explanation relating to the topic under investigation (Wengraf, 2001). The first part of the study entailed conducting semi-structured interviews to collect the information required to answer the formulated research questions. The semi-structured interview protocol was used because the approach allows for the collection of reliable and comparable data related to the topic of tax evasion (Wengraf, 2001; Myers, 2013). Second, it gave an opportunity to ask additional questions that may lead to a better understanding of the topic under investigation. Semi-structured interviews also allowed the interviewees an opportunity to freely express their views regarding the questions and issues of interest.

I conducted interviews with each of the participants separately. Interviews help researchers to collect data based on the personal experiences of the participants, in their own words and expression (Myers, 2013; Yin, 2010; Kenno, McCracken, & Salterio, 2017). I started the interview with some general questions intended to gather basic knowledge about the business: how the business got started, how long it has been in operation, its size (number of transactions or revenue dollars per month), and how many people work in the business. I then proceeded to ask more open-ended questions:

1. How do you import products into Bangladesh?
2. How do you set your selling price?
3. What are the advantages of using social media rather than using a physical store?
4. What do you believe is the key factor that has made your business successful?
5. What do you think encourages customers to buy from your business?

During and after these questions, I followed up with some related questions depending on the answers of each interviewee to understand their business model, how they operate their business and if any of it leads to custom tax evasion. These interviews provided insight into the type of tax evasion, if any, and the way taxes are evaded.

All the interviews were audio recorded with the permission of the interviewees. The audio recordings of the interview were transcribed. It is imperative to transcribe the data to ease the analysis process (Myers, 2013; Yin, 2010). After transcription, the qualitative data collected in this study was subjected to thematic analysis. In this approach, the focus is on identifying, evaluating, analyzing, and presenting patterns that exist in the data sets (Kenno, McCracken, & Salterio, 2017). Thematic analysis is a theoretically flexible method that provides an avenue for a rich interpretation of a study (Myers, 2013; Yin, 2010). The process starts with familiarizing oneself with the data collected during the interview.

I listened to the recordings and matched it with transcribed data again and again to make sure I had everything transcribed according to the interviewee's statements. It was then sent to the interviewee for approval. Once approved, the next phase was to categorize the transcripts into related topics. These were derived from the main views and ideas that were raised by the respondents with regards to the issue of tax evasion and social media. The data was organized into meaningful categories that helped in answering the formulated research questions. Furthermore, I looked for patterns in the qualitative data and identified the significant themes manually.[1]

The next stage was to identify the common themes related to the research question: how/if these businesses evade taxes and what are the contextual factors that facilitate the scheme. Once the primary themes have been identified, the next process was to determine the frequency of their appearance in the answer given by the interviewees. After listing the common themes, it was important to review them carefully to determine whether they support the selected topics. In addition, it was critical to find out where there were overlaps within the themes (Kenno, McCracken, & Salterio, 2017). Finally, three topics were identified from the interviewees' statements that relate to the research questions.

3.4. Customer Survey

As a means of broadening the ability of the study to examine the context in which the potential tax evasion is being conducted, I also collected quantitative data through a customer survey. A survey is a research method that entails using a list of questions that allow the researcher to extract a specific type of information from the target population (Myers, 2013). It can be used to increase knowledge about a topic of interest or a field of study. The process entails assessing the thoughts, feelings, and opinions of the participants based on their responses to the list of questions (Myers, 2013). Survey

[1] The NVIVO software can also be used to analyze the themes but I do not have access to it.

research is quite time-saving and straightforward as the researcher can collect data from several respondents at the same time (Myers, 2013).

The customer survey for this study was posted as an advertisement on Facebook which was in appearance and content similar to the ads that are posted by the businesses that participated in the interviews. Potential respondents that click on the advertisement were offered the chance to participate in a short research study and a small honorarium was offered. I collected data from 203 customers in Dhaka city who were using Facebook. Two different surveys were created and posted on Facebook. The first survey was of a "Colourpop Lipstick". Through Facebook, I posted ads that target females between the ages of 18 and 40 living in Dhaka. The second survey was for the product "Iphone XS". Males and females between the ages of 18 and 50, living in Dhaka, were targeted for this survey. Each survey begin with a consent form to inform potential respondents of their rights as participants. This was followed by a list of questions that highlighted some of the key factors in making purchase decision. Sixteen questions in a Lykert scale form were used for the survey to understand customers' perception of tax evasion and how it influences, if at all, their purchase decisions. See appendix B for the research instrument.

At the start of the survey, I recorded demographic variables that include age, sex, and educational level of the respondents. Then respondents were asked to assume that they are interested in buying the product to answer the following questions that related to their and their friend's willingness to buy the product at a lower price and higher price, and how important of a factor price is in their purchase decisions. Then the respondents were given the knowledge of custom tax rates along with the suggestion that the low prices could be due to evasion of custom taxes by the business posting the ad. The information was followed by questions that highlighted the importance of paying taxes for them and their families. They were also asked if they were willing to buy at a higher price if they knew that the high price was due to high custom tax rate. Finally, they were asked about their willingness to buy if the custom tax rates were lowered.

The quantitative data from the surveys was analyzed using the Statistical Package for Social Sciences (SPSS). The analysis process included the presentation of the descriptive statistics by product type and conducting t-tests to determine the differences in the responses provided based on the product type. Third, it was important to carry out an exploratory factor analysis. Depending on the results of this analysis and my ability to interpret the factors, the final part of the study entailed conducting a regression analysis using the factor scores for different prices, importance of prices, tax evasion effects, gender, age, education and household level.

CHAPTER 4: RESULTS, DISCUSSION, AND CONCLUSION

4.0. Introduction

In this chapter, I discuss my findings related to how and why businesses and individuals in Bangladesh evade custom taxes. There are two sections: the analysis of the interviews and the results of the customer survey. First, I will conduct a qualitative examination of the interview responses, focusing on the research questions. The interviews were conducted in accordance with the Brock University Ethics Guidelines and after receiving the ethics clearance for this thesis. Following that, I analyze the customer surveys based on the ads for Colourpop Lipstick and the iPhone XS. In this section, I examine how potential customers respond to an advertised price that is substantially lower than would be necessary to include custom taxes compared to a custom tax-inclusive price. Using the results of a factor analysis of the responses, I conduct regression analyses to examine the factors that influence the willingness of consumers to pay different prices.

4.1. Qualitative Interview Analysis

4.1.1 Description of the Sample

To better understand custom tax evasion in Bangladesh, I interviewed five of my acquaintances who do business by selling products in Bangladesh using social media. I chose these specific individuals because they are within my network of associates and friends, making it easier to secure interviews. Importantly, my relationship with the respondents was crucial in enabling me to obtain honest responses to my interview questions. To maintain confidentiality, the respondents' real names will not be used in what follows. Instead, I have given each of them an alias: Kevin, Mathew, Sam, Shawn, and Mike. They work with Companies A, B, and C, and are either owners or partners. At the time of the interviews, the respondents were between 24 and 27 years of age. All respondents are male. The interviewees were conducted in English so no translation was required.

Table 1

About the sample

Name	**Age**	**Company**	**Products sold**	**Length of Video**
Kevin	26	C	Electronics, Cosmetics and Others	15 minutes
Mathew	27	B	Electronics, Cosmetics and Others	24 minutes
Shawn	26	A	Electronics, Cosmetics and Others	17 minutes
Mike	25	B	Electronics, Cosmetics and Others	21 minutes
Sam	24	B	Electronics, Cosmetics and Others	10 minutes

The firms in which my respondents work all import electronics, apparel, cosmetics, and a variety of other products from the United States of America and sell them in Bangladesh. These firms are small in size and only do an average of 300 transactions a month. I chose these businesses since they sell imported products at a lower price than would seem to be possible given the current level of customs tax. Therefore, I suspected that they evade taxes by failing to pay customs duty. The enterprises have adopted an online business model that provides a platform where there is rarely face-to-face contact with any of their customers. Since they operate on Facebook, they can do all their communications using that social media platform. Easy payment systems and delivery systems have also helped them to operate their business without face-to-face interaction.

I conducted Skype interviews with the selected respondents, and audio recorded the interview with their permission. Based on my perceptions of the interviewees, I believe the respondents were honest and open about their business and what they were doing. After the interviews, I transcribed the recordings. I went over the recordings and reviewed the data again to make sure I had everything recorded according to the interviewee's statements. I then sent the transcriptions to the interviewee to review for accuracy and to obtain consent to use the information in my analysis. All the informants gave permission and approved the transcripts without any corrections.

4.1.2. Analysis of the Interviews

4.1.2.1. Business Model: Peng (2016) suggests that businesses embrace new technologies like social media to improve communication, exchange of information and lower the cost of operations. All interviewees indicated that they advertise and sell merchandise through social media. When asked about what platform they use, Mathew said,

> "We are using Facebook. We thought of using some other platforms, but Facebook was the place for this, specifically because Facebook is free. A lot of people in Bangladesh use Facebook and you wouldn't have to go through a lot of costs when you are operating from Facebook. We had a huge response of people who saw our posts. And so we've been operating on Facebook from the beginning using our page."

All other interviewees also confirmed that they use Facebook as their selling platform and that they can reach more people through this platform. According to Shawn, "A physical store needs a fixed cost and maintenance cost, which I don't have to pay in doing this business in social media". Kevin also supported that statement saying, "I can work at home and my employees can also work from home. And I don't have to pay extra rent for the shop that I would have had to rent."

In addition, it was clear that the respondents believed technology helps to meet the needs of customers in getting new products and services as suggested by Genschel & Schwarz (2011). There are many products that customers cannot get in a physical store because the brick and mortar stores do not sell them. Mike said,

> "The store can never give you huge options to choose from. But that can be done through online. Like if you want a specific product, you can get the specific product if you order it online. But the possibility of you getting that product at the stores is very low."

The online approach allows consumers to request commodities that may not be in stock, and these sellers can organize the importation of the goods, a service that is more difficult for the physical shops.

Carrillo et al. (2017) and Peng (2016) reported that individuals and organizations find different ways for evading taxes using different methods. These respondents had done exactly that: four participants, Mathew, Mike, Sam, and Shawn, indicated that they minimize operating costs by importing goods through personal luggage to avoid custom duty payments. It was clear from the interviews that the respondents do not pay customs tax and they view tax evasion as just another cost-cutting measure. Mike stated,

> "A partner of mine is currently living in the U.S. so he can easily gather all the products there and then through the luggage system that we use, we can bring the

> products from U.S. to Bangladesh. He sends all the products through luggage to us, here in Bangladesh."

According to the respondents, this is a common means for social media businesses to import goods into Bangladesh. Three respondents (Mathew, Sam and Shawn) place orders and import products through the help of a partner in the United States. The partners buy the goods in the United States and transport them to Bangladesh as part of their personal luggage when they travel to Bangladesh. According to Sam,

> "Our friend in U.S. buys the product and deliver them to his U.S. address. Then he sends the product. He looks for someone who's traveling to Bangladesh so that we can send the product in the luggage."

The partners can also request that other people with whom they are acquainted and who are traveling to Bangladesh take the commodities as part of their luggage. As Mathew was talking about personal luggage of incoming passengers, he mentioned, "A lot of people are willing to bring luggage and they are not being checked by customs or any other higher authority." Once the traveler reaches Bangladesh, they take the goods to the specific addresses of the business owners.

Smart and Bird (2009) suggest that monitoring individual relationships between businesses has also been difficult for governments. Some individuals use their personal relationship with other businesses to conduct business. Kevin's business model is an example. Unlike the other respondents, Kevin does not rely on partners or friends to help him import goods from the U.S. to Bangladesh. Instead, he uses another company in Bangladesh that imports goods from the United States. Kevin stated, "I have a relationship with the company. When I need any product, I place the order to them and they ship the product directly to my office." Kevin hinted that his pricing does not include customs taxes because he does not pay taxes either. He only pays the partner business based on weight, and there is no inclusion of custom taxes in the weight charge.

Computer-based technologies may help businesses to keep their transactions and activities invisible and undetectable (Smart & Bird, 2009). Mathew indicated an advantage of using social media is that it is not easily identified. He specified, "If you have an online store and not a physical store, the government really doesn't care or they don't even know that you have a business running there." Since they market and advertise their products on Facebook, they are not easily identified. Customers order the product online and make payment using Bkash, a payment system that can be accessed using any cell phone. One does not even need to open a bank account to use Bkash, making transactions on Bkash difficult to trace.

Since Dhaka is one of the worst cities for traffic congestion, these businesses have adopted a more convenient way of delivering goods to their customers. In most cases, a company named 'Pathao,' which uses motorbikes and small vans to ferry the product to the clients' residence or designated area, is hired to offer delivery services on behalf of the business owners. The delivery company picks up the products from the business and delivers it to the customers within two business days at a very small cost of 45 Taka. Only Shawn mentions this method of delivering goods but it is likely that other businesses also use this method since the cost is inexpensive and customers or business owners don't have to deal with the heavy traffic congestion of Dhaka city.

The online business model aids the evasion of custom taxes because business owners who market and sell through social media can import goods as luggage while still staying under the radar of government enforcement. Mathew, Sam, Mike, and Shawn said that they do not pay the custom taxes while bringing products because the goods are deemed as luggage. Since the owners mentioned that they do not have a physical store, in Matthew's words, "We don't have to pay for a trade license". Unfortunately, the government of Bangladesh is yet to develop mechanisms of taxing businesses that rely entirely on trade based on an online platform. Even though Ameyaw and Dzaka (2016) stated that there is no significant link between tax evasion and detection likelihood, the responses of the interviewees indicate that if better detection process were in place by customs for luggage coming in to the country, tax evasion is likely to be detected.

4.1.2.3. Pricing: Both the cost savings from operating online and the ability to evade customs taxes result in the ability to offer lower prices to the customer (Peng, 2016). According to Shawn, "Customers don't understand different products have different taxes, so they're not willing to pay more." The ability to offer goods at a lower price is critical to the success of these firms (Hasan, 2014). When asked about the success of their business, Sam said,

> "We are selling them at a very low price compared to other businesses as we don't have to pay the taxes, the custom taxes. We can provide the product at a comparatively lower price. So this is the key factor I would consider."

None of the respondents use a strictly cost-based pricing formula, although the cost paid to acquire the goods does form the basis of the price. The two companies owned by Mike, Sam, Mathew, and Kevin use a conversion rate higher than the official exchange rate of Bangladesh Taka to U.S. dollars to set the price. The firms also include a shipping fee based on the weight of the products. Therefore, the selling price is the sum of the amount that would be paid in the U.S. for the product as converted into the Bangladesh Taka using an inflated exchange rate and the product of the predetermined cost per pound times the weight of the commodity. Sam said, “We have a rate, which is 95 to 100 Taka per dollar (at the time of this conversation, the published exchange rate was 85 Taka per dollar), depending on the price of the product. And then we charge an extra thousand Taka per pound.” Thus, if a client wants to buy an iPhone XS that costs 1,000 U.S. dollars and weighs 1 pound, the sellers would charge 95,000 Taka (1,000 U.S. Dollars × the inflated rate of 95) plus 1,000 Taka for shipping (1,000 Taka ×1 pound). Therefore, the client will be required to pay 96,000 Taka (95,000 Taka + 1,000 Taka). If the same product were priced to include the custom tax rate of 58.69%, the price would be much higher. Custom tax charges on the product will be 49,887 Taka (1,000 U.S. Dollars × custom tax rate of 58.69% × the exchange rate of 85). So, if the custom tax was paid by the businesses, the price of the product would be 145,887 Taka (96,000 Taka + 49,887 Taka).

Table 2

Business Price VS Custom Taxed Price

	Price with 0% custom tax	*Possible Price with 58.69% custom tax*
Price	$1,000 USD	$1,000 USD
Inflated Exchange rate per USD	*95	*95
	95,000	95,000
Shipping(per pound)	+1,000	+1,000
Total before custom tax	96,000	96,000
Custom tax Exchange rate (85 Taka per USD)*	+0	+49,887
Total	96,000	145,887

Shawn has a slightly different approach to the pricing since he includes a delivery fee, in addition to the same method of currency conversion, and shipping expenses.

Delivery charges for 'Pathao' are 45 Taka per order within Dhaka. If the order is anywhere outside Dhaka, the delivery fee charged by Shawn's firm is 100 Taka per order. The charges are added to the price that the clients have to pay.

4.1.2.4. Opinions of Taxation: As noted in the literature review, citizens tend to be discouraged from paying taxes if they feel the rates are too high or if they believe the government does not use public funds appropriately. High tax rates and tax burdens have caused many people and companies to evade paying taxes (Khlif and Achek, 2015). The interviewees also brought up issues regarding the high custom taxes. For instance, Shawn, Mike, and Sam all addressed the issue of a high tax rate that would lead to much higher prices. Sam states that "no one wants to pay a high fee" and Mike said,

> "No one is going to buy a product at a higher price. This is one of the key factors businesses are dodging the custom taxes because if you pay that huge amount of tax for a specific product, you have to increase the price of the product. So our customers will never buy a product at that higher price. They will always look for a cheaper price at other places. So in that way we will lose customers if you pay the taxes."

Shawn agreed, saying, "Online business is mainly run on customer demand and how low a price we can provide. So we can't just impose the tax on the customers, which all the other conventional businesses can, so we have to bear the high taxes and due to that we can't do both."

In addition to these more general comments about customs taxes, the interviewees did not regard the high customs tax as applicable to their specific type of business compared to other business models. According to Shawn, "A custom tax policy wasn't issued keeping businesses like mine in mind. It's more focused on conventional businesses and my business is focused on e-commerce and I think custom tax policies could have been done much better if they were thinking about online businesses. We can't pay the high taxes and run a profitable business at the same time. So that's why I think it's not fair to us."

Khlif and Achek (2015) suggested that lowering the rates could reduce the cost of living and motivate people to fulfill their tax obligations. Further, some believe that the government should not introduce rules that force companies to pay an unjustified amount of taxes, which may lead them to avoid taxes and bribe government officials (Zeebiz, 2017). Sam said, "The way we are bringing the products, this can be legalized if the taxes are reduced. So, I think these taxes should be reduced so that the businesses like us can be legalized and in the future we can get a physical stores so that we can maximize our benefits on the profit." Kevin and Mathew also indicated that if the taxes were lowered, they would comply with the tax system.

Citizens may not see the need to comply with existing taxation rules and regulations due to the government's lack of providing necessary services and failure to function according to the rule of law (Ameyaw & Dzaka, 2016). The interviewees expressed a similar thought, indicating that the government does not use funds it gains from taxing businesses and individuals to provide social amenities that benefit the public. For instance, Mathew said that he expected that the tax money should be used in building roads, educational institutions, and healthcare facilities. Kevin, Sam, and Mathew indicated that if the government used public funds in providing necessary benefits to the citizens, they would consider opening physical stores and would import the goods themselves and become tax-compliant by paying their fair amount of custom tax.

According to the interviewees, Facebook is the ideal platform for their business as it helps remain untraceable. The government cannot distinguish between business and personal transactions in Facebook. Moreover, the government does not have strong custom control to monitor goods that passengers bring into the country. This process of importing products has been the key factor for businesses in my study to evade custom taxes. Evading custom taxes helped these businesses to offer a low price to their customers and lure them away from brick and mortar stores. Their business model allowed them to offer products at a lower price and attract customers without being detected. In their opinion, they think the taxation policy is unfair to businesses like theirs' and they will be more inclined to pay taxes given that government uses that fund to provide better services to the citizens. They suggested a lower custom tax rate could motivate them to not evade taxes.

4.2. Customer Survey Analysis

4.2.1. Descriptive Statistics

A customer survey was conducted to understand the perceptions of customers related to potential tax evasion. The surveys were advertised in Facebook. Potential respondents who choose to take the survey received product information and were given information about the possibility of tax evasion information. Descriptive statistics for the survey participants can be found in Table 3. As stated before, there were two surveys, the Colourpop Lipstick Customers' Survey, and the iPhone XS Customers' Survey. A total of 203 people took part in the surveys. As reported in the table, the majority of the participants were bachelors' degree holders, followed by high school degree holders. Those with a doctorate degree or less than a high school diploma were the fewest. Generally, more females took part in the surveys. In terms of age, the smallest number of participants were those with more than 50 years of age or less than 18 years. A majority of the participants were 18-40 years old, which was the target population. Most of the respondents were students, followed by full-time employees. Finally, over 68% of the respondents earned more than 20,000 Taka. Since the average income of an individual living in Dhaka is 13,250 Taka, most respondents earned more than the average.

Ninety potential customers took part in the Colourpop Lipstick Survey. A large majority of the participants, 84%, were females. This is not surprising, given the product displayed in the advertisement. As with the overall sample, most of the informants were bachelors' degree holders, and a large number of the participants indicated that they were students. There was a larger proportion of part-time employees in this sample, compared to the overall sample. Most of the participants were within the 18-25 age brackets. The survey was dominated by people with a household income of 20,000-50,000 Taka. Thus, the respondents to this portion of the survey were more likely to be female and younger when compared to the full sample.

The iPhone XS Survey had 113 participants and a majority of the respondents, 68%, were males. This is unlike the Colourpop Lipstick Survey, where more women than men took part. The percentage of degree holders in the iPhone XS Survey was higher, compared to the Colourpop Lipstick Survey. Also, the proportion of 26 to 40-year-old participants in this survey exceeded that of the Colourpop Lipstick Survey. There were fewer part-time employees in this group of participants. Thus, respondents to this survey were more likely to be male and a bit older and more likely to be students or full-time employees.

Table 3

Demographic information

	Colourpop Lipstick	**iPhone XS**	**Total**
N	90	113	203
Education:			
Doctorate	0%	0%	0%
Masters' Degree	10%	11%	11%
Bachelor's Degree	61%	67%	64%
High School Degree	24%	21%	23%
Less than a High School Degree	4%	0%	2%
Total	100%	100%	100%
Gender:			
Female	84%	32%	58%
Male	16%	68%	42%
	100%	100%	100%
Age:			
Less than 18 Years	4%	2%	3%
18-25 Years	71%	65%	43%
26-40 Years	21%	28%	40%
41-50 Years	2%	2%	2%
More than 50 Years	1%	3%	4%
	100%	100%	100%
Occupation:			
Full-Time Employee	22%	26%	24%
Part-Time Employee	23%	12%	18%
Self-Employed	9%	15%	12%
Student	34%	18%	26%
Unemployed	10%	30%	20%
Undisclosed	1%	0%	0%
	100%	100%	100%
Household Income:			
Over 250,000 taka	8%	12%	10%
100,000-250,000 taka	12%	13%	12%
50,000-100,000 taka	20%	21%	20%
20,000-50,000 taka	28%	27%	28%
Less than 20,000 taka	29%	26%	27%
Undisclosed	3%	2%	3%
	100%	100%	100%

4.2.2. Findings

4.2.2.1. Colourpop Lipstick Survey: The average Likert scale ratings for the lipstick survey are reported in Table 4. The average response to the question about the likelihood of buying the product at the stated price of 730 Taka (the price that would be charged in the U.S. with no custom tax added) was 2.7 (1 = Very likely, 5 = Very Unlikely), meaning that the majority of the respondents were not sure if they would purchase the product at its stated price. Asked if their friends would purchase, the average response was 2.3, indicating that respondents believed their friend were slightly more likely to buy than they themselves.

On the other hand, the participants reported that neither they nor their friends were likely (average responses of 4.2 and 4.0 respectively) to purchase the product if the price was set at 1,400 BDT (the price that would have to be charged to include the customs tax). The participants indicated that price is an important determinant of their purchase decision-making, with an average response of 1.6 (1= Very important, 5 = Not important).

The results of the survey also contain evidence of the willingness of potential customers to pay customs taxes. The customers were asked to report on a scale between 1 (Very Important) to 5 (Not Important) how important it is to them to pay their fair share of customs taxes. The participants indicated that it was important for them and their families (average responses of 2.4 and 2.1 respectively). They also think it is even more important that businesses pay the right amount of taxes (average response of 1.8) and customs taxes (average response 2.4). They believe that tax evasion impacts the economy of Bangladesh negatively (average response of 2.1).

After being sensitized to issues relating to customs tax and its potential impact on price, respondents were only slightly more likely to positively report their own and their friends' purchase intentions given a higher price with a stated inclusion of the customs tax (average responses of 3.8 and 3.9, respectively). On the other hand, the participants indicate that they and their friends would purchase items if the tax rate were lowered to 15% (average responses of 2.8 in each case).

The implication of these findings, taken as a whole, is that since the price of an item influences a consumer's willingness to purchase the product, if a high amount of taxes is added to the cost, the price of the product becomes so expensive that some customers would not buy the product, but might prefer to buy from businesses that are evading that high custom tax. Even though participants seem to have some understanding of the need for all citizens, including businesses, to pay taxes, they still find the level of tax imposed on this particular product reduces their willingness or ability to purchase the product. Even a much lower level of taxation and a clear statement of the reason for the price increase results in decreased purchase intentions.

Table 4

"Colourpop Lipstick" Survey Responses

Questions	Mean	Standard Deviation	Interpretation
Likely to buy at the stated price (730 BDT)	2.7	1.386	Not Sure
Friends likely to buy at the stated price (730 BDT)	2.3	1.302	Likely
Likely to buy at the higher price of 1,400 BDT	4.2	1.216	Very Unlikely
Friends likely to buy at the higher price of 1,400 BDT	4.0	1.225	Very Unlikely
Importance of Price	1.6	1.021	Important
Importance of paying fair taxes	2.4	1.258	Important
Importance of family members paying fair taxes	2.1	1.231	Important
Importance of the businesses that the participant buys from paying fair taxes	1.8	1.067	Important
Negative impact of tax evasion	2.1	1.119	Yes
Social media businesses impact on brick and mortar stores	2.7	1.268	Undecided
Importance of government action	1.9	1.084	Important
Importance of businesses paying the right amount of custom tax	2.4	1.181	Important
Likely to buy at a higher price, knowing that the increase is due to customs tax of 110%	3.8	1.204	Very Unlikely
Friends likely to buy at a higher price, knowing that the increase is due to customs tax of 110%	3.9	1.084	Very Unlikely
Likely to buy if the custom tax was 15%	2.8	1.316	Likely
Friends likely to buy the product if the custom tax was 15%	2.8	1.293	Likely

Ninety customers responded on a scale from 1 (Very Likely) to 5 (Very Unlikely) The table displays the frequency and percentage (%)of responses as well as the mean response and the corresponding interpretation. Questions are shortened in this table. Full questions can be found in Appendix B.1.

4.2.2.2. "iPhone XS" Survey: Average Likert scale ratings for the iPhone survey are reported in Table 5. The participants indicated that they were not sure whether they were likely to buy the iPhone XS at the stated custom-tax-free price of 99,000 Taka. As with the lipstick survey, friends were considered more likely to purchase the product at that price. Since many of the participants were young and unemployed, it can be presumed that they were not sure if they could buy the iPhone XS as it might have been impossible for them to pay for the expensive product. On the other hand, the informants reported that they and their friends were very unlikely to buy the product at the tax-inclusive price of 150,000 Taka (average response of 4.3 and 3.9, respectively). As with the lipstick survey, the price was important in influencing the participants' purchase decisions (average response of 1.7).

The iPhone survey contains the same evidence as the lipstick survey that it is important for customers and their families to pay a fair amount of taxes (average responses of 2.2 and 2.1, respectively). The respondents believed it is important for businesses that they buy from to pay the right amount of taxes (average response of 1.9) and custom taxes (average response 2.1). According to the participants, tax evasion negatively impacts the economy of the country (average response of 2.1). Furthermore, the participants indicated that they were not sure whether social media businesses that evade taxes motivate brick and mortar stores to stop paying their taxes (average response of 2.5).

After addressing the issue of customs taxes and its impact on price, the participants indicated that they and their friends were unlikely to buy the product when the custom tax was as high as 58.69% (average responses of 4.0 in each case). Contrary to when the custom tax is high, the participants and their friends were likely to buy the product if the custom tax was lowered to 15% (average responses of 1.9 and 2.2, respectively). The iPhone survey results in the same findings as the lipstick survey: when the price of the product becomes so expensive after adding custom tax, they are unwilling to buy but are more willing to buy the product when a much lower amount of custom tax is added. The main implication of these findings is that the citizens understand the need for businesses to pay taxes, but when that tax is added to the price, their willingness or ability to buy the product decreases.

Table 5

"iPhone XS" Survey Responses

Questions	Mean	Standard Deviation	Interpretation
Likely to buy at the stated price (99,000 BDT)	3.2	1.439	Not Sure
Friends likely to buy at the stated price (99,000 BDT)	2.7	1.209	Likely
Likely to buy at the higher price of 150,000 BDT	4.3	1.222	Very Unlikely
Friends likely to buy at the higher price of 150,000 BDT	3.9	1.339	Very Unlikely
Importance of Price	1.7	1.132	Important
Importance of paying fair taxes	2.2	1.288	Important
Importance of family members paying fair taxes	2.1	1.184	Important
Importance of the businesses that the participant buys from paying fair taxes	1.9	1.140	Important
Negative impact of tax evasion	2.1	1.205	Yes
Social media businesses impact on brick and mortar stores	2.5	1.149	Undecided
Importance of government action	1.8	1.036	Important
Importance of businesses paying the right amount of custom tax	2.1	1.103	Important
Likely to buy at a higher price, knowing that the increase is due to custom tax of 58.69%.	4.0	1.246	Very Unlikely
Friends likely to buy at a higher price, knowing that the increase is due to custom tax of 58.69%.	4.0	1.194	Very Unlikely
Likely to buy if the custom tax was 15%	1.9	1.299	Likely
Friends likely to buy the product if the custom tax was 15%	2.2	1.250	Likely

One hundred and thirteen customers responded on a scale from 1 (Very Likely) to 5 (Very Unlikely) . The table displays the frequency and percentage (%) of responses as well as the mean response and the corresponding interpretation. Questions are shortened in this table. Full questions can be found in Appendix B.2.

4.2.3. Summary Analysis

The responses from the customer surveys provide evidence of some important determinants that encourage custom tax evasion. Customers were very unlikely to buy the product at higher price (price inclusive of custom tax) It is clear that people are much less likely to purchase the product if it is imported through legal channels, and the custom tax is added to the purchase price. Consequently, sellers may feel that they are forced to lower the prices or find some means of evading taxes in order to attract some customers. This is particularly salient because the participants clearly indicated that price is an important determinant of their purchase decision-making.

Customers think it is important for businesses to pay right amount of custom tax and government should take the necessary actions to make sure businesses are paying taxes. However, when they were given the knowledge of custom tax rates, customers indicated they would not buy the product at such high custom tax rate. The results agree with Richardson (2006) as high tax rates could influence businesses and individuals to evade taxes. Khlif and Achek (2015) said that lowering the tax rates could motivate people to fulfill their tax duties and the customer survey results also shows participants are willing to pay tax at a lower rate. Hasan (2014) indicated that imposing high tax rates is one of the ways government contributes to tax evasion. The results of the surveys provide evidence that support this in the context of custom taxes in Bangladesh.

In both surveys, the customers indicated that they were not sure whether they would buy at the stated price but it is likely that their friends will. It is possible that some respondents did not like the specific brand or color of the product, so they were not sure whether they would buy it, but they assessed the likelihood of their friends buying the product in more neutral terms. It is possible when customers look at a product for themselves, they tend to have their own personal preference and that could effect their decision to buy. But when it comes to their friends, their perception of whether their friends will buy the product will more likely depend on price than any other decision making factors.

To understand participants' perception of social media's influence on tax evasion, they were asked if they think social media is encouraging brick and mortar stores to evade taxes. Customers' response indicates that they are not sure about the influence of social media on the problem of tax evasion. Customers might not have the knowledge of how social media businesses import goods and that could be the reason why they were not sure how social media businesses could influence the problem of custom tax evasion. Regardless, it is important for customers that government take actions businesses that are evading taxes even though they are not willing to pay such high custom tax.

4.3. T-Test Results

T-tests were conducted to compare the mean responses of the participants' reported purchase intentions in regards to the stated price and different tax-inclusive prices. The tests were done in pairs to understand the significance of the mean differences between two different prices. The first test compared the likelihood of buying at the stated price with the likelihood of buying at a higher price. The stated price is the price social media businesses were selling the product for and the higher price is the price at which the product would have sold if custom tax were added to that price. In the survey, no explanation was initially provided to the participants of the reason for the higher price. The second test compared the responses for the higher price without the knowledge of custom tax with the same price, but after the respondents had answered some questions about the importance of taxes and potential negative effects of tax evasion and it has been made clear that the higher price was due to the addition of custom tax. The last test compared the responses of the price inclusive of custom tax with a price which includes customs tax but at a lower rate. The results are shown in Table 6.

Table 6

Responses to price and tax changes

		T-Test Mean			
		Likelihood of buying at stated price	Likelihood of buying at higher price	t	Sig. (2-tailed)
Colourpop Lipstick	Self	2.67	4.19	-9.348	.000
	Friends	2.31	4.03	-9.584	.000
Iphone XS	Self	3.23	4.34	-7.375	.000
	Friends	2.7	3.97	-8.411	.000
		Likelihood of buying at higher price	Likelihood of buying at higher price given knowledge of custom tax issues	t	Sig. (2-tailed)
Colourpop Lipstick	Self	4.20	3.79	2.337	.022
	Friends	4.04	3.80	1.695	.094
Iphone XS	Self	4.34	3.98	2.540	.012
	Friends	3.92	3.94	-.144	.886
		Likelihood of buying at higher price given knowledge of custom tax issues	Likelihood of buying at price after adding lower custom tax	t	Sig. (2-tailed)
Colourpop Lipstick	Self	3.79	2.79	5.220	.000
	Friends	3.8	2.8	5.753	.000
Iphone XS	Self	3.98	2.97	6.795	.000
	Friends	3.94	3.00	6.106	.000

The table provides T-tests of differences in average responses to price and tax rate changes across the two survey groups, the Colourpop Lipstick Survey, and the iPhone XS Survey.

In both surveys, there were significant ($t=-9.348$, $p<0.001$ and $t=-7.375$, $p<0.001$ for lipstick and iPhone, respectively) differences in the participants' likelihood of buying the product at the stated price and the likelihood of buying at a seemingly arbitrary higher price. The differences were also significant ($t=-9.584$, $p<0.001$and $t=-8.411$, $p<0.001$) in the responses provided by the participants about the likelihood of their friends buying at the stated price and the higher price. It is clear that participants' responses changed when the prices became higher. As price is an important factor in making the decision of purchasing a product, the result is of no surprise. It is important to note that potential customers had not been given the knowledge that the reason for the increase was the addition of custom tax so their viewpoints of the increased price would likely be that businesses are making more profit.

Interestingly, significant changes were found with regards to the likelihood of buying the products at a higher price (with no stated reason) and likelihood of buying at the same price with the amount of custom tax clearly stated. For both surveys, participants were more likely to buy when they understood the customs tax issue ($t=2.337$, $p=0.022$ and $t=2.540$, $p=0.012$). While the participants' own assessments changed during the course of the survey they were not so likely to adapt their assessments of their friends' willingness to purchase. For the lipstick survey, there is only mild evidence of a change ($t=1.695$, $p=0.094$), while for the iPhone survey no evidence of a change was found ($t=-0.144$, $p=0.886$). From this result, there is some evidence that participants are willing to buy at a higher price when they know that the reason for the high price is due to high custom tax rates. However, they don't necessarily see their friends buying the product at such a high price even though the price is due to high custom tax rates.

Finally, I compared the responses of the likelihood of buying the product at a high price stating that high custom tax is included and the likelihood of buying the product at a price which includes custom tax at a lower rate. The results were significant for both surveys ($t=5.220$, $p<0.001$, and $t=6.795$, $p<0.001$, for lipstick and iPhone, respectively). The difference in the assessments of the friends' decision to buy the product was also significant ($t=5.753$, $p<0.001$, and $t=6.106$, $p<0.001$). This result is not surprising since price is an important factor for the participants, so a reduction in price due to a decrease in customs tax is highly likely to influence customers to buy the product. As the custom tax rate is lowered, customers are more willing to buy the product. However, since it is important for the customers to pay the right amount of taxes (as stated in the initial analysis of the survey results), a lower custom tax rate may result in a price that makes them feel comfortable they are supporting their government and is still economically acceptable. Sensitizing the customers to custom tax issues did cause some changes in their purchase decisions but in the end customers are more willing to buy when the taxes are imposed at a lower rate.

4.4. Regression Results

4.4.1. Factor Analysis

In order to further analyze the data from the survey, I conducted an exploratory factor analysis. The purpose was to determine if responses to several questions can be grouped into meaningful factors. Initially, I conducted factor analyses for both surveys separately. The results were qualitatively the same, so the data were combined in the results that follow. During initial examination of the factor analysis, it became clear that the question about the importance of price did not load on any factor. It was, therefore, omitted from further analyses. The final factor analysis relies on a principle components analysis with a Promax rotation in order to allow factors to correlate. Using a cut-off point of eigenvalues greater than 1, a five-factor solution was adopted. This solution explains 71.6% of the variation in the underlying variables from the survey.

Factors were determined by grouping questions with a pattern matrix score of over 0.5 into the same factor. Factors were named according to the topics of questions identified as belonging to that factor. The first factor consists of variables that relate to the questions asked about the importance of tax. It includes participants and their family's willingness to pay taxes and how important it is for them that they and the businesses with which they interact pay the right amount of taxes. It is an important factor to understand the determinants that lead to custom tax evasion. The second factor consists of participants' and their friends' willingness to buy at the stated price posted in the advertisement as well as the price when a custom tax of 15% is added. The third factor consists of participants' and their friends' willingness to buy after custom tax has been added to the price and they have been given information about custom tax rates. These questions were asked at the end of the survey so that participants have some understanding of the issue. The fourth factor is different than the third because these questions were asked earlier in the survey and customers were not given the knowledge that the high price is due to high custom tax rates. Finally, the fifth factor consists of participants' thoughts on potential negative effects of tax evasion on the economy and the society. It is important to use this factor to understand the impact of social media and the context of Bangladesh and if it leads to custom tax evasion.

Because it seemed that factor three and factor four are quite similar (both factors relate to the same price in absolute amounts), I investigated the potential of a four factor solution. The explanation of the variance decreased to 63.5%. Thus, there is an important difference in the two prices—as shown above, participants' willingness to buy at a higher price increased when they understood that the addition to the price was solely due to adding customs tax. For this reason, the five factor solution was retained.

Table 7
Results of Pattern Matrix Factor Analysis

Item	Factor Loadings				
	1	2	3	4	5
1		.718			
2		.773			
3				.920	
4				.810	
5	.924				
6	.946				
7	.688				
8					.708
9					.859
10	.523				
11	.583				
12			.905		
13			.915		
14		.840			
15		.848			

The table reports the results of an exploratory factor analysis. Only factors loading that exceed .50 are included.

4.4.2. Regressions

Finally, to further investigate the impact of customs taxes on purchase intentions, I conducted three regression analyses: one to understand the effects on the decision to buy at the price stated in the ad, one to understand the effects on intention to buy at an apparently arbitrary higher price, and one to understand the purchase intentions at the same higher price but after informing participants that the price includes customs taxes.

In the first regression, the dependent variable was the likelihood of buying the product at a lower price. The independent variables were the importance of paying taxes, the effects of evading tax, and the importance of price. Control variables were gender, age, education level and monthly income. The second regression was the same, but the dependent variable was the likelihood of buying at a higher price. The dependent variable in the third regression was the likelihood of buying after custom tax is added. The results of the three regressions are reported in Tables 8A, 8B and 8C.

In the first analysis, the most important predictor of whether the participants are willing to purchase the product at a lower price is the importance of tax. It is possible that when customers are not given the information about custom tax or the higher price, they think that taxation is important in making their decision. They would be willing to pay taxes or think they are willing to pay the necessary amount of taxes. Of the control variables, age and income level were significant, with younger people and higher earners being more willing to buy.

Importance of tax is also significant in the analysis of likelihood of buying at the higher price. On the other hand, in this analysis, price is also a significant predictor of the participants' likelihood of buying the product. This is a change from the result of the regression at lower price. It may be that the impact of price is insignificant at lower prices. When customers are paying at their expected price or a lower price, they are less likely to see price as a determining factor in their purchase decision. When they are asked to buy the same product at a higher price, the results show that price is a highly important factor. Of the control variables, only age is significant. It seems older people are more likely to be willing to buy at this very high price.

In the final regression, after information about the reason for the higher price and the addition of customs tax has been emphasized to participants, the importance of paying tax is no longer significant. With the knowledge of high custom tax rates, customers might not prioritize paying taxes as one of their decision-making factors. In this analysis, only price is an important predictor of purchase intentions. For this regression only one control variable is marginally significant: those with more education are slightly more likely to buy.

Table 8A

Regression of lower price

Model	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
(Constant)	.441	.518		.851	.396
Importance of Tax	.176	.077	.177	2.286	.023
Tax Evasion Effects	.105	.078	.105	1.350	.179
Importance of Price	.018	.068	.019	.257	.798
Gender	-.141	.156	-.070	-.904	.367
Age	-.397	.140	-.242	-2.841	.005
Education Level	.249	.133	.150	1.875	.062
Monthly Household Income	-.020	.057	-.026	-.358	.721

Table 8B

Regression on higher price (without the knowledge of custom tax)

Model	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
(Constant)	-.653	.493		-1.323	.188
Importance of Tax	.220	.073	.221	2.998	.003
Tax Evasion Effects	.114	.074	.114	1.538	.126
Importance of Price	-.241	.065	-.259	-3.699	.000
Gender	.146	.149	.072	.985	.326
Age	.437	.133	.267	3.282	.001
Education Level	-.107	.126	-.065	-.844	.400
Monthly Household Income	.053	.054	.068	.981	.328

Table 8C

Regression on price increased by customs tax (with knowledge of custom tax)

Model	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
(Constant)	-.240	.527		-.456	.649
Importance of Tax	.039	.078	.039	.492	.623
Tax Evasion Effects	-.017	.079	-.017	-.219	.827
Importance of Price	-.197	.070	-.214	-2.841	.005
Gender	-.031	.158	-.015	-.193	.847
Age	-.005	.142	-.003	-.034	.973
Education Level	.239	.135	.146	1.776	.078
Monthly Household Income	-.023	.058	-.030	-.402	.689

4.5. Discussion

One of the goals of this paper has been to investigate some of the determinants of custom tax evasion. Governments impose custom taxes to protect local industries and to raise revenue to support other governmental initiatives. However, the businesses studied in this project have found ways of bypassing the custom tax collection structure established by the government of Bangladesh and thus evading custom taxes. The general consensus of the interviewees is that the imposed taxes are too high, making operation of businesses such as theirs untenable unless taxes are evaded and that customers are unwilling to purchase goods at the increased prices that payment of custom taxes would require. The responses from the customer survey support this position. Thus, two important determinants of custom tax evasion in Bangladesh are the ability of the firms to easily evade taxes and the ability to attract customers with the resulting lower price. This is consistent with prior literature (e.g., Richardson, 2006; Ameyaw & Dzaka, 2016; Khlif & Achek, 2015).

The interviewees indicated that it is very easy to bring products into the country without paying custom taxes. They import their products through the personal luggage of incoming passengers. Their business partners in the United States send the products with passengers travelling to Bangladesh and the respondents collect the products in Bangladesh. Custom officers cannot distinguish between passengers' personal product and business products, thus making it easy to bring products into Bangladesh without paying custom taxes. Since there are no official records and transactional histories, the amount of tax to be paid cannot be ascertained accurately. Moreover, the fact that so many goods can reach the country for resale through luggage is of concern. It shows how weak the import check system is in the country and that strong improvements to the process are required. All businesses have a common goal of maximizing profits and these businesses achieve this by importing their goods through luggage and effectively evading customs taxes.

Clearly, the price of an item is of paramount importance to a potential customer while making a purchase decision. The regression results of this study demonstrate this and show that increased prices ultimately lead to a customer's disinclination to make a purchase. As a result, customers look for alternate sources where prices are lower, without regard to the fact that the low prices may be caused by failure of the supplier to pay legally mandated custom taxes. Customers then flock to businesses whose primary objective is to cut down costs and sell goods at a cheaper price. In an environment where dramatic cost cutting can be achieved by evading customs tax, businesses willing to adopt this business model will thrive.

While prior literature (Richardson, 2006; Khlif and Achek, 2015) indicated that higher tax rates might cause individuals and businesses to evade taxes, there was also some suggestion that lowering the tax rate could motivate people to pay taxes according to the law. The interviewees indicated that they were willing to purchase through legal channels if the imposed taxes were lower. Customer survey results also indicate that participants are more willing to purchase products if the products were taxed at a lower rate. Both customers and owners are capable and willing to follow the law of the land if it were not for the exorbitant tax rates.

Another goal of this study was to determine the role, if any, that social media may be playing in the ability of these firms to evade taxes. The ever-changing world has turned social media platforms into a mammoth labyrinth of communications where many types of businesses thrive. The firms that participated in this study conduct all transactions on social media. None of the owners have a physical store and none of them have a trade license, which means that all their earnings, expenditures and profits go unreported. As reported by the interviewees, a physical store requires that a business be registered and social media has helped these businesses stay invisible by not having to acquire a trade license. Moreover, the government cannot effectively identify the operations of these businesses since personal conversation on social media is private and it is a difficult undertaking to track whether the communications are for personal use or business use. It may also be that the business owners feel little responsibility about their actions as face-to-face interactions rarely happen between customer and owner. The end result of all this is that use of social media has helped these businesses remain confident in their ability to remain untraceable by the government and to operate without regulation or fear of detection.

Finally, it is important to consider the role of culture in tax evasion. The interviewees indicated that the government does not provide necessary services to help the citizens of the country but rather the officials serve their own means. This in turn demotivates ordinary people from paying their taxes, as found in prior literature. Culturally, people have adapted themselves to this problem, which is causing these businesses to evade taxes. When participants in the survey were given the idea of these businesses evading taxes to bring products, the response indicated that they are still willing to purchase from these businesses. Moreover, when business owners were informed that this research was about tax evasion, they did not shy away from providing consent. Instead they behaved as if they were fearless of the consequences that discussing tax evasion could have on their business. According to responses to the survey questions, customers` decisions to buy from businesses that are evading taxes do not change significantly. Several respondents stated that, in addition to the high tax rates, the failure of the government to use the associated revenue to improve the people's welfare is a big factor in their decision to operate outside the system.

It is clear from the interviews that these businesses have a found a way to import products into the country through a method that facilitates the evasion of custom taxes. Businesses use such processes to keep a lower price for their product and attract potential customers. According to the survey, customers are not willing to pay such a high price for a product even if the reason of the high price is due to custom tax. Such attitude towards the price could be an encouraging factor for the businesses to evade taxes. Even with the information of custom tax and knowing these businesses could be evading custom taxes to give them at a lower price, customers are not hesitant to buy from these businesses. Both the customers and business owners want to transactions to be done in a manner where the taxes are collected and put to use but they are not willing to do it at the cost of paying more themselves. They are inclined to the idea that government can find a way to collect custom tax that benefits everyone and use the resulting revenue to help the citizens of the country.

4.6. Conclusion

Tax evasion is a serious problem and therefore it is vital that the exact causes of evasion are found. In Bangladesh, a few businesses have found a loophole to employ to evade custom taxes. These firms bring products into the country through personal luggage without paying custom taxes that would be levied on imports using the normal channels. This allows the products to be sold at low prices, since custom tax rates are very high. The firms use social media to contact customers who want easy access to imported products at low prices.

The study highlights the various factors that resulted in custom tax evasion. The results can be helpful to businesses, consumers, governments and tax agents in seeking to comprehend the roots of the problem. Consumers need to understand the reason that some firms are offering such low prices and consider if they should be involved in such activity. If they believe in the benefits of collecting taxes and the change it can bring, they may alter their purchasing decisions. Likewise, businesses may decide to operate through legal channels if this is seen as a viable strategy that contributes to the well-being of society.

On the other hand, this paper highlights the shortcomings of the government policies and practices currently in force in Bangladesh. By lowering tax rates and working to demonstrate the benefits of government programs along with increased transparency, the government might be better able to impose a fair taxation policy that would be acceptable to customers and business owners as well.

Finally, the findings of this paper may be beneficial to the literature on accounting and taxation policy. Tax evasion in a third world country and especially tax evasion using social media has been under-studied to date.

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Appendix

A. Interview Script

Note that blank spaces indicate a pause for a response from the interviewee.

Introduction

My name is Tanbirul Islam.

Thank you for talking to me today. I appreciate that you are busy and am grateful to you for taking the time to help me. The interview will be about 30-60 minutes. I would like to learn about your business, especially about the aspects that differ from more traditional businesses because you operate on social media. This discussion is confidential. I want to use your knowledge, ideas and experiences in writing my thesis, but your identity and your business name will not be disclosed in the paper so please speak freely. With your permission, this interview will be recorded. Before I use any of your information, I will create a transcript and send it to you for your approval. At that time, you will have an opportunity to remove anything from the transcript that you do not wish me to use in my thesis.

Are you comfortable with that?

First we will go over a few basic questions about the business.

What factors did you consider when you decided to start this business?

How long have you been operating this business?

Approximately how many transactions does the business have in a month?

How many people, beside yourself, work in the business?

At this point, I will begin the more open-ended questions that I hope will provide information related to the research questions. (For each of these questions, I may use follow up questions based on the answer.)

How do you import products into Bangladesh?

How do you set your selling price?

What are the advantages and disadvantages of using social media rather than using a physical store?

What do you believe is the key factor that has made your business successful?

What do you think encourages customers to buy from your business?

If I have gotten the information I am seeking, I will end the interview here. If interviewees don't mention taxation or tax evasion, I will state that my degree will be in accounting and so I would like to ask a few accounting-related questions if they don't mind.

How do you maintain records for your business's financial information?

Who beside yourself uses this information?

Do you have strong opinions about the current taxation policy in the Bangladesh?

Is custom tax policy fair for businesses like yours? If so, how? If not, what do you think would make it fair or effective?

Conclusion

Thank you for your time today. I will be sending you a copy of the transcripts for your approval and once the final thesis is completed, I will send you a copy of the thesis. I am very grateful for your help.

B. Customer Survey Questionnaire

B.1. Colourpop Lipstick

Order Colourpop Ultra Matte Lip

Shade: Bumble

This thin and lightweight formula glides onto the lips smoothly and leaves SUPER intense pigment-rich color with a bold, ultra matte look.

Price: 730 BDT

Units Available: 10

All our products are imported from USA.

Our company prides itself on providing an authentic product.

Would you or your one of your friends respond to an ad like this? If so, we would like to invite you to participate in a short survey. We will send 200 taka to your account on completion of the survey. If you do not wish to participate, please exit the ad with our thanks.

This study has been reviewed and received ethics clearance through Brock University's Research Ethics Board **[18-326-Bay].**

Continue to Survey

Invitation to participate

I am Tanbirul Islam, a master's student at Brock University in Canada. I am writing my thesis titled "Doing Business in New Digital Platforms in Bangladesh: A Qualitative Study" under the supervision of Professor Darlene Bay from the Department of Accounting. The title of my research is 'Doing Business in New Digital Platforms of Bangladesh: A Qualitative Study'. I would like to invite you to participate in my study as I believe your participation could help me understand your perceptions as a customer of online businesses.

The purpose of this research project is **to understand some of the factors that are encouraging businesses to sell products on social media at substantially lower prices than are being offered in brick and mortar stores. In order to effectively understand business, we need to gather information from potential customers, which provides us with the context in which the businesses operate.**

Should you choose to participate, you will be asked to **answer some demographic questions and 16 survey questions. The questions will be used to understand your viewpoint on an important issue related to my study.**

The expected time to complete the survey **is 10-15 minutes. To show my appreciation for your time, a small gift of 200 taka will be deposited to your account after you complete the survey. You must submit the survey to receive your gift. If you do not complete the survey, you will not be compensated, as there will be no record of your participation.**

Consent

Participation
Your participation in this survey is voluntary. You may refuse to take part in the research or exit the survey at any time. You are free to decline to answer any particular questions you do not wish to answer for any reason. You may withdraw from the study at any time, simply by exiting. No data will be retained from incomplete surveys. Unfortunately, after you have completed the survey it will no longer be possible to withdraw, since no identifying information is collected.

Benefits
Benefits include a chance to carefully consider your opinions about business and taxes. I am hopeful that the results of my study may also help the government identify potential problems and better regulate businesses that operate on new digital platforms of Bangladesh.

Risk
There are no foreseeable risks involved in participating in this study other than encountered in day-to-day life.

Confidentiality

Your survey answers will be sent to a link at google.com/forms where data will be stored in a password protected electronic format. There will be no collection of identifying information such as your name, email address, or IP address. Therefore, your responses will remain anonymous. No one will be able to identify you or your answers, and no one will know whether or not you participated in the study. The data I collect will be reported in my thesis in the aggregate, such as averages and percentages.

Data will be digitally kept in my computer. Three years after the thesis is completed, the survey data will be permanently deleted. During the time, data will be accessible only to Principal Investigator Professor Darlene Bay, Professor Staci Kenno, Professor Michelle Lau and Student Investigator Tanbirul Islam.

Feedback
Summary of the findings could be found at https://www.facebook.com/tttanvir60 after November 2019 and the post will be made public in Facebook.

Please print a copy of this consent form for your records.

If you have any pertinent questions about your rights as a research participant, please contact the Brock University Research Ethics Officer (905 688-5550 ext 3035, reb@brocku.ca)

If you have any questions, please feel free to contact me (see below for contact information).

Thank you,

Darlene Bay
Professor
(905) 688-5550 Ext. 4524
dbay@brocku.ca

Tanbirul Islam
Student
(514) 996-9984
ti16jf@brocku.ca

This study has been reviewed and received ethics clearance through Brock University's Research Ethics Board **[18-326-Bay].**

Do you provide your consent to participate in this study?

Yes No

Questions

What is your gender?

Male	Female	Other
1	2	3

What is your age?

<18	18-25	26-40	41-50	50<
1	2	3	4	5

What is your highest level of education?

Less than a high school diploma	High school degree or equivalent	Bachelor’s Degree	Master’s Degree	Doctorate
1	2	3	4	5

What is your current employment status?

Full-time employed	Part-time Employed	Unemployed	Self-employed	Student
1	2	3	4	5

What is your household income?

Below 20,000 taka	20,000-50,000 taka	50,000-100,000 taka	100,000-250,000 taka	Over 250,000 taka
1	2	3	4	5

On the posting that you originally saw was an advertisement for a business that sells products by importing them from USA. When answering the following questions, please assume that you are currently interested in acquiring this lipstick.

How likely would you be to buy this product at the stated price (730 BDT)?

Very Likely	Likely	Not sure	Unlikely	Very unlikely
1	2	3	4	5

How likely would your friends be to buy this product at the stated price (730 BDT)?

Very Likely	Likely	Not sure	Unlikely	Very unlikely
1	2	3	4	5

How likely would you be to buy this product at the higher price of 1,400 BDT?

Very Likely	Likely	Not sure	Unlikely	Very unlikely
1	2	3	4	5

How likely would your friends be to buy this product at the higher price of 1,400 BDT?

Very Likely	Likely	Not sure	Unlikely	Very unlikely
1	2	3	4	5

How important is price in your decision to buy this product?

Very important	Important	Moderately important	Slightly important	Not important
1	2	3	4	5

For a product like this lipstick, the government of Bangladesh imposes a customs tax of 110%. The price of the lipstick in the United States is $6.50 USD, which is equivalent to 552.50 Bangladeshi Taka. So the custom tax would be 607.75 Taka. Thus, the price including custom charges, should total 1,160.25 Taka with no mark-up for profit.

The reason the firm in the opening ad is able to offer such a low price could be concerning and this business could be evading custom taxes.

How important it is for you to pay your fair amount of taxes?

Very important	Important	Moderately important	Slightly important	Not important
1	2	3	4	5

How important it is for other members of your family to pay their fair amount of taxes?

Very important	Important	Moderately important	Slightly important	Not important
1	2	3	4	5

How important it is to you that businesses pay the right amount of taxes?

Very important	Important	Moderately important	Slightly important	Not important
1	2	3	4	5

Do you think tax evasion is negatively impacting the economy in our country?

Absolutely Yes	Yes	Undecided	No	Absolutely No
1	2	3	4	5

Do you think social media businesses that evade taxes might motivate brick and mortal stores to stop paying their taxes?

Absolutely Yes	Yes	Undecided	No	Absolutely No
1	2	3	4	5

Do you think it is important that government take strict actions against businesses that are evading taxes?

Very important	Important	Moderately important	Slightly important	Not important
1	2	3	4	5

How important it is to you that the businesses you buy from are paying the proper amount of custom taxes?

Very important	Important	Moderately important	Slightly important	Not important
1	2	3	4	5

Would you be likely to buy this product if 110% of custom taxes were added to the current selling price, knowing that the increase in price is due to customs tax?

Very Likely	Likely	Not sure	Unlikely	Very unlikely
1	2	3	4	5

Would your friends likely to buy this product if 110% of custom taxes were added to the current selling price, knowing that the increase in price is due to customs tax?

Very Likely	Likely	Not sure	Unlikely	Very unlikely
1	2	3	4	5

How likely would you be to buy this product if custom tax was 15% so the price of the product is 820 BDT?

Very Likely	Likely	Not sure	Unlikely	Very unlikely
1	2	3	4	5

How likely would your friends be to buy this product if custom tax was 15% so the price of the product is 820 BDT?

Very Likely	Likely	Not sure	Unlikely	Very unlikely
1	2	3	4	5

Thank you for taking the time to answer the survey questions. I appreciate your sincere effort in answering the survey questions. Please provide your Bkash number below and 200 taka will be deposited to your account within two weeks.

Bkash Number

Submit

B.2. Iphone XS Survey

Order the new Iphone XS

Colors available: Silver, Space Grey and Gold

Capacity: 64 GB

Price: 99,000 BDT

Units Available: 10

All our products are imported from USA.

Our company prides itself on providing an authentic product.

Would you or your one of your friends respond to an ad like this? If so, we would like to invite you to participate in a short survey. We will send 200 taka to your account on completion of the survey. If you do not wish to participate, please exit the ad with our thanks.

Invitation to participate

I am Tanbirul Islam, a master's student at Brock University in Canada. I am writing my thesis titled "Doing Business in New Digital Platforms in Bangladesh: A Qualitative Study" under the supervision of Professor Darlene Bay from the Department of Accounting. The title of my research is 'Doing Business in New Digital Platforms of Bangladesh: A Qualitative Study'. I would like to invite you to participate in my study as I believe your participation could help me understand your perceptions as a customer of online businesses.

The purpose of this research project is **to understand some of the factors that are encouraging businesses to sell products on social media at substantially lower prices than are being offered in brick and mortar stores. In order to effectively understand business, we need to gather information from potential customers, which provides us with the context in which the businesses operate.**

Should you choose to participate, you will be asked to **answer some demographic questions and 16 survey questions. The questions will be used to understand your viewpoint on an important issue related to my study.**

The expected time to complete the survey **is 10-15 minutes. To show my appreciation for your time, a small gift of 200 taka will be deposited to your account after you complete the survey. You must submit the survey to receive your gift. If you do not complete the survey, you will not be compensated, as there will be no record of your participation.**

Consent

Participation
Your participation in this survey is voluntary. You may refuse to take part in the research or exit the survey at any time. You are free to decline to answer any particular questions you do not wish to answer for any reason. You may withdraw from the study at any time, simply by exiting. No data will be retained from incomplete surveys. Unfortunately, after you have completed the survey it will no longer be possible to withdraw, since no identifying information is collected.

Benefits
Benefits include a chance to carefully consider your opinions about business and taxes. I am hopeful that the results of my study may also help the government identify potential problems and better regulate businesses that operate on new digital platforms of Bangladesh.

Risk
There are no foreseeable risks involved in participating in this study other than encountered in day-to-day life.

Confidentiality
Your survey answers will be sent to a link at google.com/forms where data will be stored in a password protected electronic format. There will be no collection of identifying information such as your name, email address, or IP address. Therefore, your responses will remain anonymous. No one will be able to identify you or your answers, and no one will know whether or not you participated in the study. The data I collect will be reported in my thesis in the aggregate, such as averages and percentages.

Data will be digitally kept in my computer. Three years after the thesis is completed, the survey data will be permanently deleted. During the time, data will be accessible only to Principal Investigator Professor Darlene Bay, Professor Staci Kenno, Professor Michelle Lau and Student Investigator Tanbirul Islam.

Feedback
Summary of the findings could be found at https://www.facebook.com/tttanvir60 after November 2019 and the post will be made public in Facebook.
.

Please print a copy of this consent form for your records.

If you have any pertinent questions about your rights as a research participant, please contact the Brock University Research Ethics Officer (905 688-5550 ext 3035, reb@brocku.ca).

This study has been reviewed and received ethics clearance through Brock University's Research Ethics Board **[18-326-Bay].**

If you have any questions, please feel free to contact me (see below for contact information).

Thank you,

Darlene Bay
Professor
(905) 688-5550 Ext. 4524
dbay@brocku.ca

Tanbirul Islam
Student
(514) 996-9984
ti16jf@brocku.ca

Do you provide your consent to participate in this study?

Yes No

Questions

What is your gender?

Male	Female	Other
1	2	3

What is your age?

<18	18-25	26-40	41-50	50<
1	2	3	4	5

What is your highest level of education?

Less than a high school diploma	High school degree or quivalent	Bachelor's Degree	Master's Degree	Doctorate
1	2	3	4	5

What is your current employment status?

Full-time employed	Part-time Employed	Unemployed	Self-employed	Student
1	2	3	4	5

What is your household income?

Below 20,000 taka	20,000-50,000 taka	50,000-100,000 taka	100,000-250,000 taka	Over 250,000 taka
1	2	3	4	5

On the posting that you originally saw was an advertisement for a business that sells products by importing them from USA. When answering the following questions, please assume that you are currently interested in acquiring an iPhone.

How likely would you be to buy this product at the stated price (99,000 BDT)?

Very Likely	Likely	Not sure	Unlikely	Very unlikely
1	2	3	4	5

How likely would your friends be to buy this product at the stated price (99,000 BDT)?

Very Likely	Likely	Not sure	Unlikely	Very unlikely
1	2	3	4	5

How likely would you be to buy this product at the higher price of 150,000 BDT?

Very Likely	Likely	Not sure	Unlikely	Very unlikely
1	2	3	4	5

How likely would your friends be to buy this product at the higher price of 150,000 BDT?

Very Likely	Likely	Not sure	Unlikely	Very unlikely
1	2	3	4	5

How important is price in your decision to buy this product?

Very important	Important	Moderately important	Slightly important	Not important
1	2	3	4	5

For a product like this cellphone, the government of Bangladesh imposes a customs tax of 58.69%. The price of the iPhone in the United States is $999 USD, which is equivalent to 84,000 Bangladeshi Taka. So the custom tax would be 49,300 Taka. Thus, the price including custom charges, should total 148,300 Taka with no mark-up for profit.

The reason the firm in the opening ad is able to offer such a low price could be concerning and this business could be evading custom taxes.

How important it is for you to pay your fair amount of taxes?

Very important	Important	Moderately important	Slightly important	Not important
1	2	3	4	5

How important it is for other members of your family to pay their fair amount of taxes?

Very important	Important	Moderately important	Slightly important	Not important
1	2	3	4	5

How important it is to you that businesses pay the right amount of taxes?

Very important	Important	Moderately important	Slightly important	Not important
1	2	3	4	5

Do you think tax evasion is negatively impacting the economy in our country?

Absolutely Yes	Yes	Undecided	No	Absolutely No
1	2	3	4	5

Do you think social media businesses that evade taxes might motivate brick and mortal stores to stop paying their taxes?

Absolutely Yes	Yes	Undecided	No	Absolutely No
1	2	3	4	5

Do you think it is important that government take strict actions against businesses that are evading taxes?

Very important	Important	Moderately important	Slightly important	Not important
1	2	3	4	5

How important it is to you that the businesses you buy from are paying the proper amount of custom taxes?

Very important	Important	Moderately important	Slightly important	Not important
1	2	3	4	5

Would you be likely to buy this product if 58.69% of custom taxes were added to the current selling price, knowing that the increase in price is due to customs tax?

Very Likely	Likely	Not sure	Unlikely	Very unlikely
1	2	3	4	5

How likely would you be to buy this product if custom tax was 15% so the price of the product is 110,000 BDT?

Very Likely	Likely	Not sure	Unlikely	Very unlikely
1	2	3	4	5

Thank you for taking the time to answer the survey questions. I appreciate your sincere effort in answering the survey questions. Please provide your Bkash number below and 200 taka will be deposited to your account within two weeks.

Bkash Number

Submit

C. Ethics Clearance

Brock University
Office of Research Ethics
Tel: 905-688-5550 ext. 3035
Email: reb@brocku.ca

Social Science Research Ethics Board

Certificate of Ethics Clearance for Human Participant Research

DATE:	5/30/2019		
PRINCIPAL INVESTIGATOR:	BAY, Darlene - Accounting		
FILE:	18-326 - BAY		
TYPE:	Masters Thesis/Project	STUDENT: SUPERVISOR:	Tanbirul Islam Darlene Bay

TITLE: Tax Evasion in New Digital Platforms in Bangladesh: A Qualitative Study - Part 2

ETHICS CLEARANCE GRANTED

Type of Clearance: NEW Expiry Date: 5/1/2020

The Brock University Social Science Research Ethics Board has reviewed the above named research proposal and considers the procedures, as described by the applicant, to conform to the University's ethical standards and the Tri-Council Policy Statement. Clearance granted from 5/30/2019 to 5/1/2020.

The Tri-Council Policy Statement requires that ongoing research be monitored by, at a minimum, an annual report. Should your project extend beyond the expiry date, you are required to submit a Renewal form before 5/1/2020. Continued clearance is contingent on timely submission of reports.

To comply with the Tri-Council Policy Statement, you must also submit a final report upon completion of your project. All report forms can be found on the Office of Research Ethics web page at http://www.brocku.ca/research/policies-and-forms/research-forms.

In addition, throughout your research, you must report promptly to the REB:

a) Changes increasing the risk to the participant(s) and/or affecting significantly the conduct of the study;
b) All adverse and/or unanticipated experiences or events that may have real or potential unfavourable implications for participants;
c) New information that may adversely affect the safety of the participants or the conduct of the study;
d) Any changes in your source of funding or new funding to a previously unfunded project.

We wish you success with your research.

Approved:

Lynn Dempsey, Chair
Social Science Research Ethics Board

Robert Steinbauer, Chair
Social Science Research Ethics Board

Note: Brock University is accountable for the research carried out in its own jurisdiction or under its auspices and may refuse certain research even though the REB has found it ethically acceptable.

If research participants are in the care of a health facility, at a school, or other institution or community organization, it is the responsibility of the Principal Investigator to ensure that the ethical guidelines and clearance of those facilities or institutions are obtained and filed with the REB prior to the initiation of research at that site.

Brock University
Office of Research Ethics
Tel: 905-688-5550 ext. 3035
Email: reb@brocku.ca

Social Science Research Ethics Board

Certificate of Ethics Clearance for Human Participant Research

DATE: 5/30/2019

PRINCIPAL INVESTIGATOR: BAY, Darlene - Accounting

FILE: 18-320 - BAY

TYPE: Masters Thesis/Project STUDENT: Tanbirul Islam
SUPERVISOR: Darlene Bay

TITLE: Tax Evasion in New Digital Platforms in Bangladesh: A Qualitative Study - Part 1

ETHICS CLEARANCE GRANTED

Type of Clearance: NEW Expiry Date: 5/1/2020

The Brock University Social Science Research Ethics Board has reviewed the above named research proposal and considers the procedures, as described by the applicant, to conform to the University's ethical standards and the Tri-Council Policy Statement. Clearance granted from 5/30/2019 to 5/1/2020.

The Tri-Council Policy Statement requires that ongoing research be monitored by, at a minimum, an annual report. Should your project extend beyond the expiry date, you are required to submit a Renewal form before 5/1/2020. Continued clearance is contingent on timely submission of reports.

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c) New information that may adversely affect the safety of the participants or the conduct of the study;
d) Any changes in your source of funding or new funding to a previously unfunded project.

We wish you success with your research.

Approved: Lynn Dempsey

Lynn Dempsey, Chair
Social Science Research Ethics Board

Robert Steinbauer, Chair
Social Science Research Ethics Board

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