

**EFFECT OF TAX ENFORCEMENT CAPACITY ON TAX
COMPLIANCE WITH MODERATING EFFECT OF E-TAX
ADOPTION**



By:

Zaem Amjad Gadhok

01-321201-031

Supervisor:

TANVEER TAJ

MBA[1.5]

Department of Business Studies

Bahria University Islamabad

Spring - 2021

ACKNOWLEDGEMENT

Above all else, I want to say thanks to Allah Almighty who has led me through every intense time and made me realize that He is continuously listening to my prayers. Alhamdulillah!

I owe my most profound and earnest appreciation to my parents, supervisor and my class fellows who remained close throughout the intense and challenging experience of project, exhibiting my work and settling on choice in regard to this all through the period of my Master program.

I am chosen to have had the supervision of expert in finance, major thanks to you for your consolation and having confidence in my capabilities. Much appreciated you Sir for sharing your abundance of learning and using my abilities in a superior manner. Your commitment and responsibility in regulating this supposition is sincerely appreciable. This proposal would not have been conceivable without your backing.

Dear parents, your prayers to God, your support and your provision have made me accomplish one of the hardest objectives throughout my life. This is one of them!

Dear friends, you have a major part of this accomplishment and your support has shown me a ray of trust and encouragement.

Big thanks to all!!

Zaeem Amjad Gadhok

ABSTRACT

This study has focused mainly on investigating the effect of tax enforcement capacity on tax compliance with moderating effect of adoption of e-tax system in Pakistan. This study has considered fairness perception, tax knowledge, and tax complexity as independent variables, adoption of e-tax system as moderating variable, and tax compliance as dependent variable. In addition, this study has finalized taxpayers (salaried persons) of twin cities of Pakistan to investigate the relationship between variables mentioned above. To prove this relationship, a survey has been conducted through an adopted structured questionnaire regarding this literature, in which taxpayers (salaried persons) of twin cities of Pakistan have been requested to share their experiences by filling the questionnaires. To identify the results on data gathered from the respondents, statistical tests have been used. Some of the statistical tests used in this study include descriptive frequencies, descriptive statistics, reliability, correlation, and regression analysis. Results derived through statistical instruments with the help of SPSS software have shown that fairness perception, tax knowledge, and tax complexity positively effects tax compliance. In addition, it is also proved that adoption of e-tax system significantly moderates the relationship between fairness perception, tax knowledge, and tax complexity (independent variables) and tax compliance (dependent variable) in Pakistan.

Key Words: Tax Enforcement Capacity, Taxpayer Perception, Fairness Perception, Tax Knowledge, Tax Complexity, Adoption of E-Tax System, Tax Compliance, etc.

Table of Contents

ACKNOWLEDGEMENT.....	3
ABSTRACT.....	5
CHAPTER 1: INTRODUCTION.....	8
1.1 Background of the Study.....	8
1.2 Problem Statement.....	9
1.3 Research Gap	10
1.4 Research Questions.....	10
1.5 Research Objectives.....	10
1.6 Research Significance.....	11
1.7 Scope of the Study.....	11
1.8 Thesis Structure.....	12
Chapter Summary	12
CHAPTER 2: LITERATURE REVIEW.....	13
Introduction.....	13
2.1 Streams of Research	13
2.2 Fairness Perception.....	13
2.3 Tax Knowledge.....	17
2.4 Tax Complexity	19
2.5 Adoption of E-Tax System	21
2.6 Tax Compliance	23
2.7 Theoretical Background.....	25
2.8 Research Framework.....	26
2.9 Hypotheses.....	27
Chapter Summary	27
CHAPTER 3: RESEARCH METHODOLOGY	28
Introduction.....	28
3.1 Research Design	28
3.2 Variables of the Study	28
3.3 Research Philosophy and Approach	29
3.4 Research Strategy	29
3.5 Research Nature.....	29
3.6 Research Instrument.....	29
3.7 Unit of Analysis.....	30

3.8 Population	30
3.9 Sample of the Study	30
3.10 Sampling Technique	30
3.11 Data Collection Method	31
3.12 Data Analysis	31
CHAPTER 4: FINDINGS AND ANALYSIS	32
Introduction.....	32
4.1 Data Analysis	32
4.1.1 Reliability Analysis	32
4.1.2 Descriptive Frequencies (Demographic Analysis)	33
4.1.3 Descriptive Statistics.....	36
4.1.4 Correlation Analysis	36
4.1.5 Regression Analysis	38
4.1.6 Moderation Analysis	41
4.2 Data Findings	44
CHAPTER 5: CONCLUSION AND FUTURE RESEARCH	45
5.1 Discussion.....	45
5.2 Research Implication	45
5.2.1 Theoretical Implication.....	45
5.2.2 Practical Implication	46
5.3 Limitations & Future Research.....	46
5.4 Conclusion	47
REFERENCES	48
Appendix 1: Questionnaire	52
Appendix 2: 1 st Half Semester Progress Report	56
Appendix 3: 2nd Half Semester Progress Report & Thesis Approval Statement.....	57
Appendix 4: Plagiarism Report.....	58