

Title: Influences of networking, relationship building and quanxi (social capital) on tax compliance behaviours

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Abstract:

Given the increasing cultural diversity of taxpayers in most developed OECD countries, there is a need to understand how cultural norms of networking, relationship building and quanxi (connections) may influence the tax compliance behaviours of taxpayers especially those that are in small businesses. Networking, quanxi and relationship building are part of the social capital that ethnic business operators have relied on to succeed in their business. The main question is whether these forms of social capital play a role in influencing tax compliance activities and decisions.

This paper examines how these forms of social capital may influence the tax compliance behaviours of ethnic business taxpayers in terms of cash management, seeking accounting and tax advice and their perceptions of tax authorities. Qualitative semi-structured research methodology is used to determine the extent and forms of social capital used in tax compliance activities and decisions. This form of data collection is commonly used to research collectivistic cultures i.e. non- westerners. In addition, qualitative research serves to provide in-depth information as to why certain tax behaviours were exhibited.

This findings from this study provide important accounting and tax regulation implications for developed nations with culturally diverse taxpayers. Social capital may help to reduce tax compliance costs due to their access to cheaper accounting, taxation and capital resources and assistance. On the other hand, social capital may negatively affect tax compliance decisions in terms of encouraging or promoting non-recording of cash jobs.