

## Voluntary Tax Compliance: The Case of Bhutan

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### Abstract

This study examines the current state of tax compliance among Bhutanese taxpayers with respect to direct taxation: Business Income Tax (BIT), Corporate Income Tax (CIT), and Personal Income Tax (PIT). It explores common forms of non-compliance, investigates the underlying causes, and identifies strategic actions that the Department of Revenue & Customs (DRC) can implement to encourage voluntary compliance. Primary data were collected through both paper-based and online questionnaires administered to 338 taxpayers. The study found that the primary reasons for non-compliance include cumbersome compliance procedures, limited awareness of tax laws, and unfavorable perceptions of taxation. Some taxpayers view tax obligation as burdensome or inadequately acknowledged, while others perceive tax rates are unreasonably high, admitting to deliberate non-compliance. A notable proportion of respondents even consider tax evasion as social norms and acceptable behaviour. These findings highlight the need for targeted policy interventions, including the simplification of tax procedures, improved taxpayer education, and initiatives to positively sway public attitudes toward taxation. The study offers practical recommendations aimed at strengthening Bhutan's tax system and fostering a culture of voluntary compliance.

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## **Introduction**

One of the persistent challenges tax authorities face is taxpayer non-compliance, requiring substantial time and resources to manage on a daily basis. Disputes and court cases between tax authorities and taxpayers often stem from such non-compliance. Therefore, improving taxpayer compliance would help conserve financial resources and reduce time spent on enforcement. Numerous studies have examined factors that motivate taxpayers to be more compliant. Kartim (2023) asserted that taxpayer compliances are primarily influenced by factors like tax knowledge, tax policy, attitudes towards taxation, and services from tax authorities. Good knowledge of tax regulations and a clear understanding of obligations, favourable tax policies, positive perceptions of taxation, and the quality of services provided by tax authorities all contribute to improving taxpayer compliance. The study conducted by Naslia and Yulianti (2024) found that tax fairness perceptions and compliance behaviour by individuals are influenced by institutional, and contextual factors. They concluded that socio-economic status, political ideology, cultural values, and institutional trust impact individuals' attitudes towards taxation and their compliance. Therefore, to improve trust and compliance, they recommended tax authorities enhance transparency, accountability and responsiveness towards taxpayers.

The study carried out by Kornhauser (2007) and Torgler (2007) attributed *morale* as an important factor that promotes voluntary compliance. They examined how positive incentives—the so-called “carrot” approach—can enhance compliance. Offering rewards to compliant taxpayers has been recognized as a potentially effective strategy. For instance, Rillstone (2015) found that taxpayers preferred financial incentives, such as percentage rebates although non-financial incentives were equally important in sustaining the honesty of already compliant taxpayers.

One of the earliest theoretical models of tax compliance was “Economics of Crime,” proposed by Becker (1968). Allingham and

Sandmo (1972) later applied this model to tax compliance. The model assumes that rational individuals weigh the expected benefits of evasion against the risk of detection. According to this model, taxpayers comply primarily out of fear of detection and punishment. Thus, compliance is driven by the consequences associated with enforcement.

Economists have identified both external and internal factors that influence taxpayer compliance (Kirchler, 2007). External factors include the tax rate, likelihood of audits, and severity of penalties, while internal factors comprise the taxpayer's knowledge of tax laws, attitudes toward the state and taxation, and perceived social norms and fairness. However, empirical studies offer mixed evidence regarding the influence of these socioeconomic factors.

To date, no formal research has been conducted in Bhutan on taxpayers' behaviours or perceptions of taxation. Without such studies, it has been difficult for tax authorities in Bhutan to effectively tackle non-compliance and enhance taxpayers' compliance. Nonetheless, the DRC published a document, *Bhutan: Medium Term Revenue Strategy (MTRS) in 2024*, outlining a strategy to optimize revenue collection. The document notes that Bhutan's tax-to-GDP ratio has been falling and is projected to decline further due to structural weaknesses in tax policy and administration. To improve revenue collection, the document recommends broadening the tax base, rationalizing tax rates, simplifying the tax policy regime, strengthening IT frameworks, and focusing on risk-based assessments.

Given the country's limited revenue and narrow tax base, every unit of tax collected has been significant. Currently, the DRC grapples with an acute shortage of manpower, compounded by the resource constraints (DRC, 2024). Despite these challenges, the DRC has made notable progress in strengthening the taxation system and increasing tax revenues through its consistent efforts. For instance, the number of PIT late filers dropped from 6,025 in 2022 to 1,826 in 2023, while BIT late filers declined from 16,592 in 2022 to 11,356 in 2023, according to the Performance Indicator Reports published by the DRC. Similarly, cases of non-filing dropped from 39 in 2022 to 31 in

2023, while instances of income underreporting decreased from 21 in 2022 to 15 in 2023 (DRC, 2023 & 2024).

Amidst the persisting challenges, the DRC is tasked with generating higher tax revenue each year (DRC, 2024). Consequently, it strives year after year to meet the tax revenue targets with the limited manpower and resources. One potential solution is improving the taxpayers' compliance. By achieving higher levels of tax compliance, the DRC can focus its efforts on the remaining non-compliant taxpayers, thereby optimizing the use of its limited manpower and resources.

Hence, the primary aim of this study is to offer practical solutions and policy recommendations to the DRC for enhancing voluntary tax compliance. To this end, the study first examines the current compliance status of the taxpayers under the direct taxes, then explores the reasons for non-compliance, and finally summarises policy reforms suggested by taxpayers. Based on these findings, the study presents actionable strategies for the DRC to strengthen voluntary compliance in Bhutan.

## **Literature Review**

### **Traditional Approach to Tax Compliance**

Historically, tax administrations have relied on deterrence-based approaches to ensure compliance. The most influential framework is the standard model of tax evasion by Allingham and Sandmo (1972), which assumes that taxpayers comply primarily when the probability of detection and the severity of penalties outweigh the potential benefits from evasion. This model explains the widespread use of audits, fines, and sanctions.

However, critics argue that deterrence-based framework is overly narrow. It assumes that compliance is driven solely by deterrence, failing to consider social, cultural, and psychological factors (Kirchler et al., 2008). Empirical studies suggest that deterrence is most effective in contexts where trust in tax authorities is weak. In such environments, enforcement measures become necessary. However, it is unlikely to sustain long-term compliance.

### **Institutional and Structural Influences**

Beyond deterrence, structural features of the tax system have a strong impact on compliance. Complexity in tax legislation often reduces compliance, as taxpayers struggle to interpret and follow technical provisions and processes. McKerchar (2001) observed that complicated laws make compliance burdensome, while Niemirowski et al. (2002) found that limited knowledge fosters uncertainty and distrust in tax institutions.

Simplification, therefore, emerges as a preferred strategy. Slemrod and Bakija (2008) advocated for a system that is fair, simple, enforceable, and growth-oriented. Similarly, Chattopadhyay and Das Gupta (2002), Palil and Mustapha (2011), and Richardson (2006) demonstrated that simplifying tax systems correlates positively with compliance, while Chau and Leung (2009) found that complexity is closely linked to higher evasion rates. Saad (2014) further emphasized that simplifying tax return and payment procedures can reduce reliance on tax professionals and encourage voluntary compliance.

### **Behavioral and Socio-Psychological Perspectives**

Besides enforcement, recent studies have increasingly identified behavioural and socio-psychological perspectives as crucial factors in improving compliance. For instance, Halla (2012) and Molero and Pujol (2012) showed that higher *tax morale* results in greater compliance, while Alm and Torgler (2011) argued that socio-cultural values such as fairness, altruism, and morality strongly influence taxpayer behaviour.

Trust in government and tax authorities is another critical factor. Taxpayers who perceive the system as fair and adeptly administered are more willing to comply (Kirchler et al., 2008). In contrast, perceptions of unfair treatment or excessive penalties justify non-compliance.

Confusion over concepts such as *tax avoidance*, *tax evasion*, and *tax flight* highlight the importance of taxpayer education. Webley (2004) defined *tax avoidance* as minimizing liability through creative accounting in lawful means, while Kirchler et al. (2003) described *tax flight* as relocating to lower-tax jurisdictions. Such ambiguities underscore how limited tax literacy can hinder compliance.

## **Voluntary Tax Compliance**

Voluntary compliance emerges as an effective strategy to combat non-compliance. The concept of ‘voluntary compliance’ has been debated extensively. Manhire (2015) argued the term could be misconstrued as implying optional compliance. Similarly, the U.S. Tax Court in *Donelin v. Comm’r* criticized it as “arrogant sophistry.” Despite these critiques, voluntary compliance is gaining popularity.

Voluntary compliance is referred to as taxpayers fulfilling obligations without enforcement intervention (Alabede et al., 2011; James & Alley, 2004; Kirchler, 2007; Palil, 2010). James and Alley (2002, p. 32) expand the definition to include compliance with both the “spirit and letter” of the law, emphasizing good faith adherence. In this sense, taxpayer knowledge, trust, and perceptions of fairness all become crucial in fostering voluntary compliance. For tax administrations, voluntary compliance reduces enforcement costs and administrative burdens, while fostering cooperative relationships with taxpayers (OECD, 2004).

Nonetheless, voluntary compliance would be insufficient to capture all taxpayers who differ in their attitudes toward compliance. Tailored strategies are necessary to cater to various types of taxpayers.

## **Typologies of Taxpayer Behaviours and Compliance Strategies**

Braithwaite (2003) segregates taxpayer behaviours into two groups: a) motivational postures (trusting and cooperative), and b) resistant (distrustful, evasive). The OECD’s *Centre for Tax Policy and Administration* (2004) further categorize into four groups:

*Disengaged:* Deliberately non-compliant. It requires strict enforcement.

*Resistors:* Resistors view taxation as unfair. They may be persuaded with appropriate policy and procedural reforms.

*Triers:* They are willing but unable to comply due to limited understanding or resources.

*Supporters:* These individuals trust the tax authority and extend full compliance and cooperation.

The OECD (2004) provides specific strategies for these various categories of taxpayer behaviour, presented in Table 1.

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Table 1

*Types of taxpayer's behaviour and compliance strategies.*

Type of behaviours	Attitude to compliance	Compliance strategy
The Disengaged	Have decided not to comply	Use the full force of the law
Resisters	Don't want to comply	Deter by detection
Triers	Try to but don't always succeed	Assist to comply
Supporters	Willing to do the right thing	Make it easy

Source: OECD: Managing and Improving Tax Compliance (2004).

### *Determinants of Compliance Behaviour*

A broader range of factors shape these varying taxpayer behaviours. The OECD (2004) identifies five key determinants:

*Business profile* – larger, regulated firms typically demonstrate higher compliance.

*Industry characteristics* – compliance varies by sector depending on profitability, cost structures, and regulation.

*Sociological factors* – cultural norms, education, and public attitudes toward governance influence compliance.

*Economic environment* – stable, fair policies encourage compliance, while economic instability undermines it.

*Psychological factors* – traits such as risk appetite, ethical values, and fairness perceptions affect behaviour.

Similarly, the U.S. Taxpayer Advocate Service (2012) highlights factors such as deterrence, social norms, tax morale, trust, complexity, and the role of third-party preparers (see Table 2). The two frameworks overlap, and jointly demonstrate the multifaceted determinants of compliance.

Table 2

*Factors identified as potentially driving voluntary compliance*

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Deterrence	People comply when the potential sanction multiplied by the perceived likelihood of getting caught outweighs the economic gain from cheating.
Norms	According to social norms and reciprocity theories, taxpayers who believe most other taxpayers comply are more likely to reciprocate by complying. Taxpayers who cheat may feel guilty when they break the norm if it has been adopted as the taxpayer's own tax morale. In addition, those who trust the
Tax morale	government and feel the tax laws and procedures are fair and fairly enforced may be more likely to feel a moral obligation to comply, even if the outcome of those procedures is unfavourable.
Trust	Taxpayers may use unfair rules or procedures, unreasonable penalties, bad experiences with the IRS, or a lack of faith in the government of the IRS to justify either reducing efforts to comply or active noncompliance.
Complexity and convenience	Taxpayers who face complicated rules may be unable to comply, or may use complexity as a reason to justify noncompliance.
Preparers and third parties	Tax preparers may have a significant effect on tax compliance.

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Source: Taxpayer Advocate Service - 2012 Annual Report to Congress - Volume 2

The approach to tax compliance evolved from deterrence-based models to more holistic frameworks integrating structural, behavioural, and socio-psychological factors. Among others, voluntary compliance emerges as a critical goal for tax administrations, which seeks to balance enforcement with trust-building, simplification, and education. However, most studies are situated in developed contexts, with limited evidence from smaller economies such as Bhutan. This gap underlines the need for context-



specific research into how voluntary compliance can be fostered in small and developing settings with limited resources and administrative capacity.

## **Methodology**

### *Research Design*

This study used a mixed-methods approach. The quantitative component is used to analyze the distribution of respondents across default categories and the proportion recommending changes to promote voluntary compliance. The qualitative component explored respondents' perspectives, capturing insights into the key factors and attributes they considered crucial in encouraging tax compliance.

### *Participants and Sites*

Two surveys were conducted: one targeting taxpayers under Business Income Tax (BIT) and Corporate Income Tax (CIT), and the other focusing on taxpayers under Personal Income Tax (PIT).

*BIT/CIT Survey:* Participants comprised 122 business entrepreneurs, who were randomly selected from districts: Paro, Thimphu, and Samdrup Jongkhar.

*PIT Survey:* 216 individuals with taxable income who were already filing returns participated in the survey. Participants included individuals from a wide range of sectors from corporations, government, and private enterprises. Of these, 90 were female and 126 were male. The survey participants were also randomly selected from the three districts: Paro, Thimphu, and Samdrup Jongkhar.

### *Research Instruments*

Structured questionnaires were used for both surveys.

*BIT/CIT Questionnaire:* Consisted of 13 items covering basic information (e.g., type of tax, business size, nature of activity), instances and causes of tax defaults, treatment of defaults by tax authorities, and respondents' views on non-compliance. In addition, the questionnaires also gathered suggestions on measures the DRC should take to promote voluntary compliance.

*PIT Questionnaire:* Consisted of 14 items. While most overlapped with the BIT/CIT instrument, additional questions captured demographic details (gender and age) and information on whether respondents filed their own tax returns. This allowed researchers to analyse compliance patterns across demographic groups.

#### *Data Collection*

Questionnaires were primarily distributed in person at business and office premises, and responses were collected immediately. However, in a few cases (including one five-star hotel for BIT/CIT and some PIT respondents), questionnaires were distributed and returned via email within a few days.

#### *Data Analysis*

For BIT and CIT, data were organized by sector across nine categories: trading, manufacturing, construction, hotels and restaurants, tourism, consultancy, auto workshops, training institutes, and salons. This classification allowed sector-specific analysis of compliance patterns and policy needs.

For PIT, two levels of analysis were undertaken. The first mirrored the BIT/CIT approach, while the second examined demographic factors (gender and age groups: below 30, 31–40, 41–50, and above 50). Gender analysis identified whether men or women were more prone to defaults, and age analysis highlighted generational compliance patterns (e.g., younger respondents showing lower awareness). To ensure comparability across groups, results were expressed in percentages.

## **Results**

The findings of this study are presented in four broad categories: 1) The types of tax defaults generally committed by the taxpayers; 2) The major reasons or causes of defaults; 3) General perceptions as to why people commit tax defaults; and 4) The respondents' recommendations to promote voluntary tax compliance. The first two categories (1 and 2) show responses from taxpayers who admitted to having defaulted on the tax laws in one form or another. On the other

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hand, the third and fourth categories (3 and 4) reflect perceptions from both defaulters and non-defaulters.

### *Types of Default Committed*

When asked whether they have ever defaulted on tax laws, 38% of the BIT/CIT respondents admitted to having defaulted a few times, compared to 13% among PIT filers. Table 3 provides a breakdown of the responses.

Table 3

#### *Default Rate Comparison Between BIT/CIT and PIT Payers*

	Yes, a few times	No	Total Respondents
BIT/CIT	38%	62%	122
PIT	13%	87%	216

The most common type of default was late filing of tax returns, which was 24% in case of BIT/CIT, and 9% in case of PIT filers. The detailed result of the types of defaults committed is shown in Table 4.

Table 4

#### *Nature of Default*

Nature of Default	BIT/CIT	PIT
Late filing of tax returns	24%	9%
Non-filing of tax returns	2%	2%
Late payment of tax	9%	1%
Non-compliance to the notice	4%	1%

It is evident from the result that BIT/CIT are more likely to commit tax defaults than those under PIT.

### *Common causes of defaults*

There are different reasons for tax non-compliance. 15% of BIT/CIT respondents indicated complex tax procedures as the primary cause, followed by financial and domestic problems. A few respondents attributed it to ignorance of law. For PIT filers, the predominant

reasons for defaults were ignorance of tax laws, followed by domestic challenges and financial difficulties.

Table 5

*Reasons for Tax Non-Compliance*

Reason for Default	BIT/CIT	PIT
Tax procedures too complicated	15%	0%
Due to financial problems	11%	4%
Due to domestic problems	8%	4%
Out of ignorance of tax law	2%	5%
It was a deliberate attempt/act	1%	1%
Due to system problem	1%	N/A

A gender-based analysis of PIT filers revealed that 18% of males reported having committed defaults, compared to 11% of females. The age group 31–40 years had the highest incidence of defaults for both genders.

*Respondents' perceptions of reasons tax defaults*

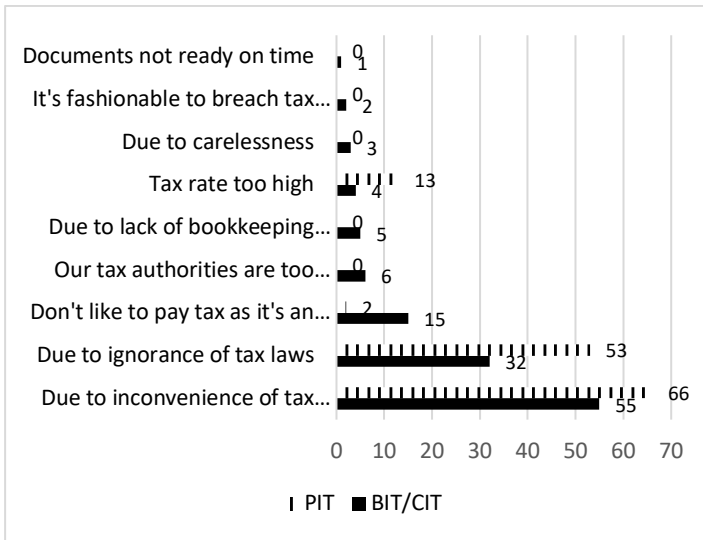
This is the general opinion gathered from the respondents who defaulted and those who did not. Figure 1 shows the results.

Among the BIT/CIT respondents, 55% felt that tax default results from inconvenient compliance procedures, while 66% of the PIT respondents concurred to this. The next major factor was ignorance of tax laws. About 53% of PIT respondents and 32% of BIT/CIT respondents identified ignorance of tax laws as a major cause for defaults. Interestingly, 15% of BIT/CIT respondents believed that paying taxes is unappreciated, and 2% among PIT respondents agreed to this. Some respondents even perceived breaching tax laws as fashionable. Both groups identified high tax rates as a deterrence for compliance.

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Figure 1

### *Perceived Causes of Tax Defaults*



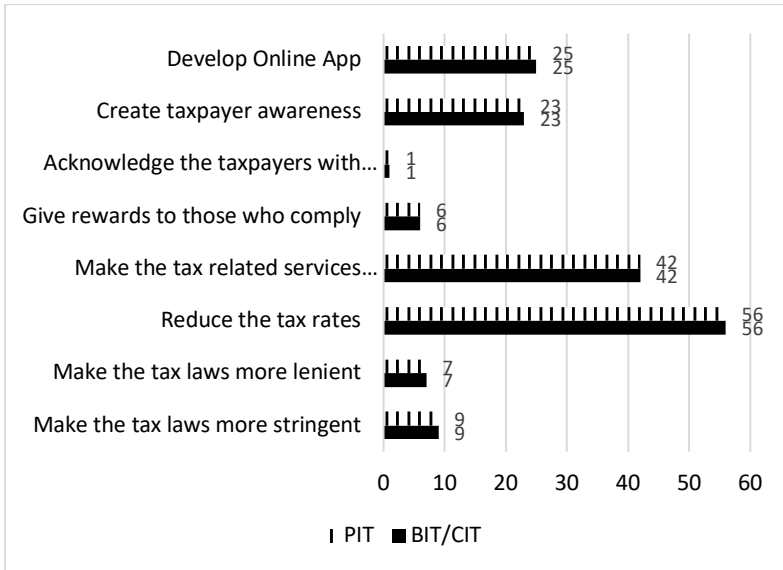
### *Respondents' recommendations*

This segment of the questionnaires consisted of questions with multiple answers. In addition, there were open-ended questions where respondents can provide additional comments and feedback. The result is depicted in Figure 2.

The 56% of BIT/CIT respondents suggested reducing tax rates, followed by 42% who advocated for simplified tax services. Among PIT respondents, 58% preferred simplifying tax procedures, 52% supported awareness workshops, and 49% recommended reducing tax rates. Only 7% of PIT respondents supported stricter tax laws, compared to 20% of BIT/CIT respondents. 25% of BIT/CIT respondents and 6% of PIT respondents supported rewarding compliant taxpayers. A significant proportion of respondents suggested developing a mobile application to ease and facilitate tax filing and payment procedures.

Figure 2

*Suggestions for DRC's Actions for Promoting Voluntary Tax Compliance*



## Discussion

The findings suggest that business taxpayers (BIT/CIT) are more likely to default on tax obligations than the individual taxpayers (PIT). The most common form of non-compliance was late filing of tax returns, followed by late payment of taxes, under both the categories. Key contributing factors included complex compliance procedures, lack of awareness, domestic challenges, and financial constraints. The reasons attributable to the respondents' perception of complex compliance procedures could be a low literacy rate, complacency and dependency. When this researcher visited the shop premises to distribute the questionnaires a good number of shopkeepers said they could not read or write. 14% of the PIT respondents admitted that they sought assistance in filing their tax returns. To some extent, it could also be due to leniency of the tax authorities. Under both the

categories, 6% of the respondents thought people committed defaults because tax authorities are lenient. Leniency could be a weakness on the part of tax authorities. Studies have shown that punitive approaches, though somewhat outdated, have some positive effect on the taxpayer's behaviour. Kirchler (2007) found direct influence of audit frequency and severity of penalty on compliance.

Within PIT respondents, males were more prone to default than females. The 31–40 age group showed the highest incidence of defaults across both genders.

In terms of policy suggestions, 56% of BIT/CIT filers and 49% of the PIT respondents emphasized reducing tax rates. This is in concurrence with the finding of Kerchler (2007) where he stated that tax rates have some influence on compliance.

A considerable number of respondents both under PIT & BIT/CIT categories have indicated taxpayer awareness programs as one of the significant activities which DRC needs to carry out to promote compliance. In general, people do not commit tax defaults deliberately. Some defaults happen because taxpayers are not aware of the procedures clearly. That is why 52% of the PIT respondents and 23% of BIT/CIT respondents felt the need to conduct a taxpayer awareness program in order to promote compliance.

The majority of the PIT filers favoured simplifying tax procedures, while a notable portion of the respondents supported stricter law enforcement. This result mirrors the findings by Slemrod & Bakija (2008) where they found that simple, fair, and enforceable tax laws foster compliance.

Some respondents, under both the categories, have identified taxpayer rewards as one of the factors which influences compliance. The findings by Rillstone (2015) also supports this idea where he concluded that taxpayers prefer financial rewards in promoting honesty and compliance.

Suggestions for a mobile app underscore the need for digital accessibility and user-friendly services. In terms of digital compliance, while 96% of PIT filers used online platforms, only 66% of BIT/CIT respondents did so. This indicates a need to increase digital adoption among businesses.

## **Policy Recommendations**

The following policy interventions are recommended based on the research findings:

### *Simply Tax Related Services*

Complex procedures, unclear instructions, and lack of support discourage compliance. To mitigate this, the DRC should:

- Simplify filing processes.
- Ensure easy access to information and support.
- Introduce a user-friendly mobile application.
- Provide guidelines and online tutorials to aid self-filing.

By removing procedural barriers, the government can promote a culture of compliance rooted in convenience, trust, and civic duty.

### *Conduct Taxpayer Awareness Programs*

A considerable proportion of respondents defaulted due to a lack of knowledge and awareness. It is essential for the DRC to clearly communicate taxpayers' obligations, rights, and updates and revisions to tax laws.

The following recommendations are made to promote taxpayer awareness:

- Organise in-person workshops to sensitise people on the tax laws, tax filing procedures, taxpayers' roles and responsibilities.
- Prepare pamphlets covering information on tax types, filing dates, type of penalties applicable in case of defaults, and contact details of relevant offices to be reached at in case of needs.
- Organise talk shows on television and radio.
- Upload short video clips on tiktok to impart information on tax.
- Start a chatbot to interact with the taxpayers to clarify doubts, and share important information.

### *Develop User-Friendly ICT Applications*

When taxpayers lack the necessary knowledge or find procedures cumbersome, the risk of non-compliance increases. While filing tax returns via mobile app may not be feasible, other services—such as



checking tax liability, tracking assessment status, and applying for tax clearance certificates—can be digitized.

A mobile app would enable taxpayers to access essential services anytime and anywhere, reducing the need for in-person visits or hiring professionals for simple tasks. Features such as checking appeal status and payment history could also be included.

By offering such conveniences, the DRC can reduce procedural barriers and encourage voluntary compliance.

#### *Recognize and Reward Compliant Taxpayers*

Recognizing and rewarding compliant taxpayers brings multiple benefits. Publicly honouring those who accurately declare and pay their taxes can strengthen trust in the system and motivate others to follow suit.

The following recommendations are made:

- Issue certificates of recognition to the most compliant taxpayers. Give away mementos like trophies bearing felicitation messages which can be proudly displayed in the recipients' offices.
- Publish the names of the recipients in the media for publicity.
- Selection must be done professionally, and in a most fair and transparent manner.

#### *Use Deterrence Measures Strictly*

Audits and levy of fines and penalties are among the most commonly used deterrent tools deployed by the tax administrations. This deterrence approach is traditional and widely practiced globally. Its effectiveness relies on instilling fear of consequences. Frequent audits and the imposition of substantial fines often discourage non-compliance.

The following recommendations are made to promote compliance:

- Carry out risk-based audits. The case selections must be done professionally and judiciously, taking into consideration factors such as revenue potentiality, compliance history, etc. Once the case is selected a thorough check is recommended.
- After the lapses are detected, especially the serious crimes, full penalty should be levied as per the provision of the laws.

- Waivers of fines and penalties should not be given at all if compliance is to be promoted. If waivers are given, the penal provisions would be rendered ineffective and non-compliance will persist.

Despite being unpopular, the use of audits and penalties remains necessary. Tax authorities must strategically deploy these tools to enforce compliance and deter intentional non-compliance.

## **Conclusion**

At present, the DRC primarily relies on enforcement tools—particularly audits and penalties—to ensure compliance. Relying heavily on audits is resource-intensive, unpopular, and may undermine trust in tax authorities. But currently there is not much choice for the department than to enforce compliance. However, the department should embrace a qualitative approach rather than quantity. The department should focus on a few selected risk-based audits rather than 100% coverage. This approach will not only be resource-friendly, but also more taxpayer-friendly as the majority of the taxpayers wouldn't be subjected to the routine audits.

This study finds that many tax defaults are due to lack of awareness and complex procedures. Some respondents blatantly acknowledged that paying tax is an ungrateful act so they evaded paying it deliberately. Some even viewed non-compliance as 'fashionable.' This attitude likely stems from ignorance about the role of taxation in public welfare. When taxpayers understand that their contributions fund essential services, their motivation to comply will likely improve. Thus, carrying out public education and awareness campaigns are crucial for promoting a culture of compliance.

Simplifying tax procedures is another key recommendation which came out very strongly. While international tax standards must be upheld, services can still be made more accessible—such as through mobile applications offering simple taxpayer services.

Rewarding compliant taxpayers is another recommendation that came out fairly strongly. Basically, recognising those who follow the rules diligently is the right approach. In doing so, it will keep them motivated and inspire others who aren't as compliant.

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