

eJournal of Tax Research

Volume 15, Number 1

September 2017

CONTENTS

- 4 Comparison of a lower corporate income tax rate for small and large businesses
John Freebairn

- 22 Wine options of Australian tax reform|
Paul Kenny, Michael Blissenden and Sylvia Villios

- 51 Tax compliance of ethnic minority immigrant entrepreneurs: A social capital perspective
Sue Yong and Fiona Martin

- 77 Tax compliance costs in developing countries: Evidence in Ethiopia
Wollela Abehodie Yesegat, Jacqueline Coolidge and Laurent Olivier Corthay

- 105 Retrospective tax law: Has Pandora's Box opened never to be shut again?
Rocco Loiacono and Colleen Mortimer

- 119 Risks of IFRS-based taxation: The application of section 24JB by authorized users to hedged relationships
Pieter van der Zwan

Tax compliance of ethnic minority immigrant entrepreneurs: A social capital perspective

Sue Yong¹ and Fiona Martin²

Abstract

This paper examines the impact of social capital on migrant entrepreneurs' tax compliance behaviours in Auckland, New Zealand. It analyses the behaviour of small business owners who have migrated to New Zealand. For this study the authors use the ethnic definitions of Asians and Pacific peoples established by the New Zealand government. The authors focus on these migrant groups due to their collectivistic and transnational orientations. The research is based on qualitative interviews conducted from 2007 to 2011, with follow-up interviews in 2013. The interview subjects were 18 migrant entrepreneurs of small businesses, their family members, business experts and tax practitioners. The results demonstrate how social capital can have both positive and negative influences on tax compliance behaviours.

Key words: migrant entrepreneurs, social capital, tax compliance

¹ Senior Lecturer, Accounting Department, Auckland University of Technology, Auckland, New Zealand
sue.yong@aut.ac.nz.

² Associate Professor, School of Taxation and Business Law, Business School, UNSW, Australia
f.martin@unsw.edu.au.

1. INTRODUCTION

Over the past three decades, developed countries have experienced unprecedented demographic changes and diversity due to new waves of immigration (Department of Labour, 2010; Lee, 2015). According to Vertovec (2007), the early post-war migration pattern of replacement labour from a clearly defined handful of former colonial countries has been overtaken by 'super-diversity'. Super-diversity represents a new wave of migrants who migrate as a result of various factors such as safety, work and financial and they originate from countries with numerous political, legal and social backgrounds (Ram et al., 2011). Researchers note that there has been an international trend in immigrant business ownerships (Ram & Smallbone, 2003; Smallbone, Kitching & Athayde, 2010). There has also been significant research undertaken into the backgrounds, access to resources, social, human and cultural capital of these entrepreneurs and how this has impacted on their success or lack of it (Kloosterman & Rath, 2010).

The effect of immigrants has starkly changed the outlook of some major cities such as Auckland, London, Los Angeles, Sydney, Toronto and Brussels which are becoming distinctly more cosmopolitan. It is estimated that the percentage of foreign-born populations in 2015 was 39 percent for Auckland, Sydney and Los Angeles, 37 percent for London and New York, 46 percent for Toronto and 62 percent for Brussels (Lee, 2015). Further, immigrant entrepreneurs are affecting cities in numerous ways, for example, by revitalising formerly dilapidated shopping streets (Obeng-Odoom & Jang, 2016) and introducing new products and marketing strategies (Bagwell, 2008). They also pose challenges to the existing compliance framework by engaging in informal economic activities (Kloosterman, van der Leun & Rath, 1999; Yucedogru & Hasseldine, 2016).

The rise in immigrant entrepreneurship is partly due to their need to find alternative employment opportunities apart from mainstream employment. Many have encountered obstacles with the labour market due to non-recognition of foreign qualifications, and language and cultural difficulties (Strickland, 2013; van Hulten & Ahmed, 2013). Some ethnic immigrants find themselves in a marginalised position from a socio-economic point of view as unemployment is generally higher for them (Department of Labour, 2010; Katila & Wahlbeck, 2011; Kloosterman, van der Leun & Rath, 1999). Others do not have the required educational qualifications and therefore often end up in businesses that only produce goods or services at the lower end in markets where there are low barriers to entry (Kloosterman, 2010). Migrant entrepreneurs generally service co-ethnic markets due to lack of cultural capital i.e. lack of familiarity with local business and financial environments (Basu, 2006; Pitrus, 2015). However, co-ethnic markets are often very competitive and dependence on them is likely to constrain business performance and growth since they also operate with low profit margins (Barrett et al., 2002).

Researchers have considered a number of factors when examining the entrepreneurial activities of migrants. Ideas of social capital and access to resources have been added to the concepts of human, financial and cultural capital: people's proclivity for entrepreneurship and their entrepreneurial success rates have been found to be related to the size, density and nature of their social networks and their ability to mobilise these networks for economic purposes (Kloosterman & Rath, 2010; Granovetter, 1983, 1995). Significance has also been found in relation to the interaction between the

personal resources of migrants, the resources of migrant communities, such as access to financial support, consumers, suppliers and advice, and the opportunities presented by the host country with respect to labour market structures and regulation, government incentives and public opinion (Kloosterman & Rath, 2010).

Survival can often be difficult for migrant businesses and profits can be very low and sometimes, non-existent. The survival of immigrant businesses leads to owners working long hours without pay or evading income tax and under-declaring wages so as to render workers eligible for state benefits (Jones & Ram, 2010). Their survival is often only made possible because these migrant entrepreneurs are embedded in social networks that enable them to reduce their transaction costs in both formal and informal ways (Deakins, Ishaq & Smallbone, 2007; Portes & Sensenbrenner, 1993). Co-ethnic ties and family support are also important to their daily business operations. Utilising family and co-ethnic ties and labour resources assists with reducing labour costs and promotes efficiencies in communication (Strickland, 2013).

Due to low profit margins with fierce business competition, self-exploitation amongst migrant entrepreneurs is commonly accepted as part of surviving in a new country (Jones & Ram, 2007; Ram & Jones, 2008). Many have experienced very poor returns on their labour, capital and risk bearing (Jones & Ram, 2007). Migrant entrepreneurs also experience difficulty accessing mainstream finance in their host countries (Irwin & Scott, 2010; Ram, Smallbone & Deakins, 2002). To address this, migrant entrepreneurs often resort to non-mainstream finances with higher interest rates or they borrow from family, friends and local communities (van Hulten & Ahmed, 2013). They also face structural disadvantages such as unfamiliarity, lack of knowledge of local conditions and regulatory requirements, language barriers and social exclusion based on cultural factors (Pitrus, 2015). Often their activities do not seem to be prominent within 'mainstream' research and therefore migrant entrepreneurs are not consulted in public policies.

To compensate for low profit margins, Sanders and Nee (1996) argue that ethnic migrants' ability to mobilise family members gives them the decisive competitive advantage of having a cheap and flexible labour force (a form of social capital). Social capital can be a very valuable resource for ethnic migrant entrepreneurs and can represent a very important advantage for migrant businesses that have migrant population as their clientele (Clark & Drinkwater, 2010). Social capital is referred to as the tangible and virtual resources that facilitate actors' attainment of goals and that accrue to actors through social structure (Portes, 1998). Ethnic social capital could be especially significant for those immigrants who have substantial cultural differences with respect to the local community (Altinay & Altinay, 2006).

The issue of social capital has been discussed in migrant businesses in Finland (Katila & Wahlbeck, 2011), in the United Kingdom (UK) (Barrett et al., 2002), in Australia (van Hulten & Ahmed, 2013), in the Netherlands (Kloosterman, van der Leun & Rath, 1998), in the United States of America (USA) (Honig, 1998) and in Scotland (Deakins, Ishaq & Smallbone, 2007). Most of this research discusses the use of social capital by migrant businesses to start up a business, or to obtain cheap labour and financial resources but not in relation to tax compliance activities.

Given all these issues, this study aims to address the need to provide research on the role of social capital in tax compliance behaviours of migrant entrepreneurs in New Zealand. Specifically, this study attempts to answer the following research questions:

1. How does social capital impact on the Asian and Pacific³ entrepreneurs' ability to file their tax returns and pay their taxes on time?
2. Does social capital influence the attitudes of Asian and Pacific entrepreneurs' towards the informal economy in New Zealand?

The article is divided into five sections. After the introduction, it provides a summary of the migration of Asian and Pacific peoples to New Zealand, which is section 2. Section 3 discusses the meaning of social capital and its application to ethnic migrant businesses. Section 4 of this article explains the research methodology and design used in the study. It then goes on to discuss and analyse the results of the research with particular emphasis on the factors that influence the preparation of tax returns by migrant entrepreneurs and their tax payment timeliness. The article concludes in section 5 with a synthesis of the research, a summary of its limitations and the implications of the findings for policy and academia.

2. ASIAN AND PACIFIC MIGRANTS IN NEW ZEALAND

Most studies of ethnic businesses have been conducted in Australia, the USA, the UK and the Netherlands where there is a long history of immigration and the number of immigrants is substantial (McEvoy, Hafeez & Keoy, 2010). Immigrants entering these countries usually become members of fairly large and longstanding ethnic communities, for example the Indians, Pakistanis and Bangladeshis in the UK and Vietnamese, Greeks and Italians in Australia. New Zealand offers an interesting point of comparison in this respect as New Zealand is comparatively new as a country of immigration and its immigrant groups tend to be small and fragmented relative to Australia, the UK and the USA (Ministry of Business Innovation and Employment, 2013). A general observation is that many immigrants resort to establishing their own businesses to secure employment due to discrimination in workplaces (Ram, Jones & Villares-Varela, 2017). New Zealand migrants are also encouraged to start their own business as establishing a business is relatively easy in New Zealand (The World Bank, 2013). According to the World Bank (2013), New Zealand has consistently ranked number one in terms of ease of setting up a business with relatively simple regulatory and compliance requirements. Furthermore, New Zealand has, relatively recently, adopted a migration policy that favours migrants with entrepreneurial skills and business experience (New Zealand Immigration, 2017).

Auckland is the main gateway for migrants to New Zealand and it is known as the Pacific city of the world due to it having the highest concentration of Pacific peoples outside the Pacific Islands (Robie, 2009). Auckland is the most ethnically diverse city

³ These are the categorisations given by the New Zealand government as provided by Statistics New Zealand (2010) 2006 census data (QuickStats-about-culture-and-identity-tables.xls), available at <http://www.stats.govt.nz/Census/2006CensusHomePage/QuickStats/quickstats-about-a-subject/culture-and-identity.aspx#>. The four largest ethnic groups as classified by the New Zealand government are Europeans, Asians, Māori and Pacific peoples.

in the country as more than one-third of its population were born overseas. This puts it on par with Sydney and New York (Lee, 2015). The Asian and Pacific peoples groups are the two fastest growing ethnic groups and they constitute two of the four largest ethnic groups in New Zealand after Europeans and indigenous Māori (Statistics New Zealand, 2013). The number of Asian-born people in New Zealand almost doubled in size from 6.6 percent in 2001 to 11.8 percent in 2013, or 471,700 people. This compares with 295,900 for Pacific Island populations (Spoonley, 2014).

In acknowledging the knowledge gap of migrant business owners regarding their tax compliance behaviours, the New Zealand Inland Revenue commissioned a mixed method report to study the migrant groups from the UK, Australia, China and India (Inland Revenue, 2014). The report highlighted several issues. First, the need to better understand migrant businesses and their tax compliance behaviours and attitudes, as little is known about them. This information gap needs to be filled in order for a country's tax authority to appropriately respond to the changing nature of the country's population. Second, although migrant business owners are diverse in ethnicity and countries of origin, there appears to be more similarities between the UK and Australian migrants compared to the Chinese and Indian migrants in terms of tax perceptions, use of accountants and the practice of the cash economy. Third, the UK and Australian business migrants appeared to have integrated better into New Zealand society whereas the Chinese and Indian migrants tended to feel that they were being treated 'differently' because of their ethnicity (Inland Revenue, 2014, p. 1). Fourth, the Chinese and Indian business migrants reported a higher level of trust and had more positive perceptions of the tax authority compared to the UK and Australian business migrants. Fifth, more work needs to be done to understand ethnic minority groups which are born overseas such as Pacific and Asian peoples (Inland Revenue, 2014) due to the knowledge gap of this group of taxpayers. This present study heeds the call to study overseas-born Pacific and Asian business owners operating in New Zealand.

This study aims to identify some aspects of tax compliance behaviours of ethnic minority migrant Asian and Pacific entrepreneurs in New Zealand. The Asian and Pacific entrepreneurs are of interest in this study due to their collectivistic traits (Podsiadlowski & Fox, 2011) and transnational orientation (Bagwell, 2008). Most still have strong ties with their home countries and are in constant contact with their home countries (Macpherson, 2004; Ram et al., 2011; Urbano, Toledano & Ribeiro-Soriano, 2011). Their collectivistic traits suggest that individuals tend to give priority to the demands of the group over their own personal demands (Podsiadlowski & Fox, 2011; Yong & Martin, 2016). In return, the group gives the individuals a sense of belonging and access to valuable human, financial and social resources (Schwartz, 1990).

Historically, these migrant groups have encountered negative experiences at the point of entry into New Zealand with past discriminatory legislation and other action from the New Zealand government.⁴ These groups had therefore suffered negative effects

⁴ For more information, see TEARA's (2016) discussion on the *Chinese Immigrants Act 1881* (NZ), *Chinese Immigrants Amendment Act 1892* (NZ) and *Chinese Immigrants Amendment Act 1907* (NZ) which imposed a poll tax on Chinese people in New Zealand, the *Immigration Restriction Amendment Act 1920* (NZ) for Asians (particularly the Chinese), and the raids on Pacific homes in the 1970s by the Labour government for over-stayers at <http://www.teara.govt.nz/en/ethnic-and-religious-intolerance/page-3> and <https://www.teara.govt.nz/en/ethnic-and-religious-intolerance/page-4>.

due to their displacement and also discrimination on the part of the receiving society. However, in more recent times, there is greater acceptance of migrant groups and there has been a greater influx of these migrants to New Zealand since the widening of access to citizenship (Friesen, 2015; Ministry of Business Innovation and Employment, 2013).

Asian migrants who are professionally qualified often migrate to developed countries for a better quality of life; however, many are unable to obtain similar professional employment in the host country due to lack of cultural capital and recognition of overseas qualifications. Many therefore resort to lower skilled employment or self-employment (Cooke, Zhang & Wang, 2013; Department of Labour, 2010).

Large waves of Asian migrants initially started arriving in New Zealand during the 1990s (Friesen, 2015). During the early 1990s immigration into New Zealand from Asia, especially from Hong Kong, Taiwan, and the Republic of Korea, increased sharply following the introduction of a points-based selection system in 1991 which targeted skilled immigrants. Specific business migration and talent visa schemes were also designed to assist in achieving the objective of encouraging migration by entrepreneurs and people experienced in business (Bedford, 2003). Asian migrants were quick to seize these opportunities and by 2013 made up 11.8 percent of the New Zealand population (Spoonley, 2014).

Pacific peoples commenced arriving in the 1950s and in larger numbers from the 1970s (TEARA, 2016). Active recruitment by the New Zealand government of Pacific peoples commenced in the 1950s so that these workers could work in New Zealand's rapidly developing industrial and agricultural sectors. In fact, from the late 1960s formal work permit schemes were introduced mainly in agriculture and forestry, first for Fijians and then for Tongans and Western Samoans (Lee, 2009).

In 1986 there was a brief period of visa-free entry for some Pacific Islanders however this led to such a surge in migration from Fiji, Tonga and Western Samoa that the scheme was abandoned after only a few months (Stahl & Appleyard, 2007). At that point the New Zealand government decided to shift immigration policy in favour of skilled migrants, and reduced migration options for unskilled workers. This development has had a significant and ongoing impact on the nature of Pacific Islanders' movement into New Zealand and our research highlights the fact that many of the Pacific peoples in our study are from an unskilled worker background. In 2002 the New Zealand government introduced the Pacific Access Category which allowed 250 migrants from Tonga, 75 from Kiribati and 75 from Tuvalu, and, since 2003, a further 250 migrants from Fiji. In late 2006 New Zealand again shifted its migration policies towards the Pacific and reopened access for seasonal agricultural workers, including those from Melanesia, first through the Seasonal Work Permit Policy (Stahl & Appleyard, 2007) then subsequently the Recognised Seasonal Employer scheme. The latter scheme is specifically aimed at eligible Pacific Islands Forum member nations and they are recruited to work in the horticulture and viticulture industries. This scheme was originally for 5,000 workers and, in 2015 was increased to 9,500 places per year (New Zealand Immigration, 2017).

Both these groups often lacked social relationships with local Europeans and Māori. However, this lack of integration in the local society was compensated for by a strong social cohesion within their own ethnic migrant groups (Podsiadlowski & Fox, 2011; Yong & Martin, 2016). This is where social capital could play a crucial role within these groups as a mechanism to compensate for the deficiency of integration with the rest of the society. This is evidenced by the strong bonding amongst the Pacific peoples groups in churches. Pacific churches model the Pacific way of living in the islands and are therefore integral in ensuring Pacific migrants integrate into New Zealand society (Gershon, 2007; Macpherson & Macpherson, 2004; Tiatia, 1998). These mechanisms provide security, protection and support for migrants and a sense of belonging to a group despite being away from home (their country of origin). Hence, the church for ethnic Pacific peoples serves as a 'source of adaptive advantage' (OECD, 2001, p. 42) when they first arrive in New Zealand.

3. SOCIAL CAPITAL

There are many definitions of social capital and no one agreed definition. This study uses the definitions from the OECD (2001) and Putnam (2000). The OECD defines social capital as 'networks together with shared norms, values and understandings that facilitate cooperation within or among groups' (OECD, 2001, p. 41). Social capital refers to the resources gained through social ties, memberships of networks and sharing of norms (OECD, 2001). It can play an important role in information sharing.

On the other hand, Putnam defines social capital as 'connections among individuals – social networks and the norms of reciprocity and trustworthiness that arise from them' (Putnam, 2000, p. 19). Putnam also distinguishes between bonding and bridging social capital. Bonding social capital refers to 'ties to people who are like you in some important way', whereas bridging are ties 'to people who are unlike you' (Putnam, 2000, p. 143). Some highly bonded groups can embody high levels of internal trust and reciprocity and can generate benefits for the individuals. This level of internal trust and reciprocity therefore obliges the individuals to conform to the group's requirements and expectations and is a form of bonding social capital.

One of the major advantages of social capital is when an individual has access to information and influence through social networks which confer private benefits on the individual. Social networks can also be used by individuals or groups to exclude others and reinforce dominance or privilege (Katila & Wahlbeck, 2011). Alternatively, these bonds can hinder people from integrating into larger society. This is especially relevant for tightly knit communities who have strong social bonds with individuals who share their ethnicity. Their lack of social bridges with people beyond their social networks can turn them into eternal outsiders of wider society and at times hinder their economic progress (Katila & Wahlbeck, 2011). Like most forms of capital, social capital can also be harmful to the individuals when individuals do not reciprocate the demands placed on them by their group members (Gargiulo & Bernassi, 1999).

Portes and Sensenbrenner (1993) engaged in significant research on ethnicity and social capital. They noted that elements of reciprocity, bounded solidarity, enforceable trust and the existence of social obligations were key features of the relationship between ethnicity and social capital. Ethnic groups can be sources of

financial and human capital for emerging entrepreneurs, as strong kinship ties encourage funding for their business ventures and provide cheap and flexible labour (Geertz, 1973). Ethnic ties will often provide valuable information on the local business, financial and labour market (Basu & Altinay, 2002). However, ethnicity may serve simultaneously as a way to bind some people together while keeping others apart (OECD, 2001). Keeping the group separate can be a long-term disadvantage as it can alienate the group from the wider business community and therefore limit significant business opportunities.

Recent research in New Zealand has found some relationships between social capital and the ethnic groups of Māori, Pacific peoples and Asians in relation to tax compliance behaviours (Yong, Northcott & Hooper, 2014). In particular, the study has found some significant differences in the sources of tax assistance used and the manner in which these groups kept and filed their tax records. Unlike the Asians, both the Māori and Pacific peoples groups were more dependent on their accountants as they lacked accounting and tax knowledge. On the other hand, the Asians relied on their social networks for free tax assistance and information in order to save on tax compliance costs. They engaged their accountants for tax advice only when it was necessary.

More recent research on collectivistic ethnic groups also showed that tax payment ability and difficulties can be related to the assistance given and demands placed on them by their social networks (Yong & Martin, 2016). In particular, this study found that Asian small business operators experienced no tax payment difficulty as they had financial assistance from their social networks. On the other hand, the financial demands and pressures placed on the Pacific peoples and Māori groups resulted in tax payment difficulties. These tax payment difficulties were attributable to meeting their obligations towards their social networks. Consequently, these groups experienced higher tax compliance costs compared to the Asian group (Yong & Martin, 2016).

4. RESEARCH METHODOLOGY AND DESIGN

The present study relied on chain referral sampling (Biernacki & Waldorf, 1981), which is an extension of snowballing sampling (Gobo, 2007) because the sample is drawn from a variety of networks. The strength of chain referral sampling is that 'multiple networks are strategically accessed to expand the scope of investigation beyond one social network' (Penrod et al., 2003, p. 102). This approach is particularly valuable in getting a cross-section of the sample. The sample studied was drawn from a variety of sources including churches, migrant intermediary government-funded agencies, and community-based associations and personal networks.

Given the dearth of knowledge on tax compliance behaviours of migrant entrepreneurs in developed countries, an exploratory study using the in-depth qualitative interviewing approach and observations was chosen to provide feedback on the research questions. Literature has shown that migrant entrepreneurs prefer interviews instead of surveys due to trust issues (Chaganti & Greene, 2002; Romero & Yu, 2015). The interview and observation approach to analyse and explain migrant entrepreneurial issues has become increasingly accepted in the literature (Barrett et al., 2002; Ram et al., 2011).

The target group was businesses owned by Asians and Pacific peoples who had migrated to the Auckland region of New Zealand. This group was chosen because Asian and Pacific peoples are the two fastest growing ethnic groups in New Zealand and they are the largest ethnic groups in New Zealand after Europeans and Māori (Statistics New Zealand, 2013). They also come from cultures that demonstrate collectivist cultural traits.

The selection process of the Asian and Pacific migrant entrepreneurs began with contacting migrant intermediary government-funded agencies, churches, community associations and personal networks. Informal contacts were maintained with each of these organisations and groups, in order to gather more information about each ethnic group. In the second stage, 18 migrant entrepreneurs, nine from each ethnic group were interviewed. Data was collected using semi-structured interviews and observations from 2006 to 2010 with informal follow-up interviews in 2013. The interviews were conducted by the first author and varied in duration from one to two and a half hours. All interviews, with the exception of two, were recorded with the permission of the interviewees.

The field notes that the first author compiled consisted of observations and interviews. To triangulate the field notes, interviews were also conducted with 15 business experts who included business support professionals, government agencies and mentors and eight tax practitioners. Their advice supplemented, corroborated or verified the accounts given by the migrant entrepreneurs.

4.1 Data collection and interviewing method

Information collected consisted of biographical data of 18 Asian and Pacific migrant small businesses. Small to medium businesses are defined in New Zealand as businesses that employ fewer than 20 employees (Ministry of Economic Development, 2012). The biographical data was supplemented with detailed semi-structured interviews with the principals of the businesses. In some businesses, the spouses and other family members were also interviewed. Questions asked concerned the country of origin of the business owners, the nature of their business, their start-up process and tax preparation and tax payment arrangements. Informal follow-up interviews about the businesses took place in 2013. Only five businesses were contactable for the follow-up interviews as some businesses had ceased to exist and others were not available. The follow-up interviews were informal in the sense that there were no set interview questions, as there had been in the first series of interviews. All the interviewees were born overseas and were either from Asian countries or the Pacific Islands (see Appendix 1 for their countries of origin).

Qualitative interview methods were employed to obtain a broad picture of the interviewee's own understanding of their situation (Creswell, 2006). All the interviews were carried out by the first author personally as trust is important to these migrant groups and it was unlikely that they would agree to be interviewed by someone else not known or recommended to them by a friend (Brown, Tower & Taplin, 2005; Tsui-Auch, 2004). The interviews were later transcribed to facilitate the analysis. The analysis was based on template analysis where data was coded and analysed to identify and explore themes, patterns and relationships (Denzin & Lincoln,

2005). Some of the codes were known beforehand from prior literature and some were new findings as the analysis advanced.

The next section details the thematic findings of the migrant entrepreneurs' tax compliance behaviours and the role of social capital for their businesses.

4.2 Research findings and discussion

The demographic and biographic details of each of the Asian and Pacific peoples businesses are recorded in Appendix 1. The findings of the role of social capital on migrants' business and tax compliance activities are divided into the following themes:

1. Business start-ups and tax information
2. Tax return preparation and tax payments
3. Practices and perceptions of the informal economy

The role of social capital and its impact on the above themes are discussed in the ensuing sections. In particular, the similarities and differences between the two migrant groups will be highlighted.

4.2.1 Business start-ups and tax information

4.2.1.1 Asian entrepreneurs

The majority of the Asian entrepreneurs started their businesses after working for a few years with New Zealand corporations. This complements previous literature on Asian immigrant entrepreneurs which suggests that they usually start their businesses after a few years working for others (Dhaliwal, 2000; Romero & Yu, 2015). Some migrants received financial assistance transnationally from their social networks to start their businesses. All but two entrepreneurs operate their businesses to service their own ethnic community i.e. their clients are predominantly from their own ethnic group. In doing so, they claimed stiff competition from other Asian businesses and therefore experienced low profit margins.

Asian immigrants tend to be tertiary qualified (Cooke, Zhang & Wang, 2013; Department of Labour, 2010). All but one Asian entrepreneur interviewed was professionally qualified in the accounting, engineering, education or finance disciplines. This is consistent with the New Zealand government policy of encouraging skilled migrants as discussed in section 2 of this article and which has been successful in encouraging significant migration by Asian peoples.

Consequently, most of the Asian entrepreneurs interviewed were familiar with the tax requirements of New Zealand. Some were previously employed in the accounting and finance sectors and had built social networks from these professions. Information on tax obligations were sought from peers and they themselves were often familiar with tax requirements due to being employees in New Zealand. Consequently, all Asian entrepreneurs (or their family members) with the exception of one, prepared and filed their own goods and services tax (GST), pay as you earn (PAYE) and Income Tax returns without any paid assistance. The following are common statements in regards to fulfilling their tax obligations for the Asian sample:

Being a mortgage broker, I advise people on tax issues and therefore I would say I am very knowledgeable with the tax requirements... I do all the accounts myself like the payroll, income tax and GST. (Asian entrepreneur 2: Male in the financial services industry)

If I have a tax issue, I would speak to my boss first as he is an accountant and has 30 years of experience. I would also speak to a lawyer as we share the same office who knows about trusts and stuff like that. (Asian entrepreneur 3: Female who assist her husband's equestrian exporting business)

I am fairly knowledgeable with the tax requirements in New Zealand as I am an accountant. If I need clarification with some tax issue, I will ask my CA friend because I feel they have more up-to-date knowledge of what is going on. (Asian entrepreneur 8: Female who assists her husband's IT business)

Five of the Asian entrepreneurs were motivated to commence their businesses due to workplace discrimination in mainstream employment. On the other hand, the remaining four chose self-employment to achieve a better work-life balance; this is characterised as a pull factor. Many came to New Zealand for better opportunities for their children's education and a better quality of life compared to their countries of origin. They left their countries as they could not tolerate the rampant corruption and dictatorial regimes that they had experienced there, where equal opportunity for them was non-existent.

4.2.1.2 *Pacific entrepreneurs*

Historically, Pacific migrants were drawn to New Zealand to take up low skilled employment (TEARA, 2016). Most of the Pacific entrepreneurs in this study started their businesses without working for New Zealand corporations for any length of time. They were generally employed in low or semi-skilled jobs which did not require qualifications. With the exception of one, none were professionally qualified. Again, this is consistent with the New Zealand immigration policy and its prioritising of migration by unskilled workers from the Pacific Islands as discussed in section 2. Many were motivated to start a business as a means of wealth creation. Like the Asian entrepreneurs some also received financial assistance transnationally from their extended families to start their businesses. All but two Pacific entrepreneurs in this study operated their businesses to service the Pacific community.

Unlike the Asian group, the Pacific entrepreneurs started their businesses because they possessed a skill or trade and without first enquiring about business and tax requirements. Business and tax knowledge were only sought *after* commencing their businesses. Some accessed tax knowledge from their social networks but unfortunately most of the information acquired was either incorrect or outdated. Consequently, the Pacific entrepreneurs found tax requirements to be onerous and difficult. To overcome this difficulty, many employed tax practitioners to help file their tax returns which increased their tax compliance costs. The following are common statements in regards to fulfilling their tax obligations for the Pacific peoples sample:

If I have a tax query, I will go to our accountant. He charges us \$3,000 a month and makes sure we are GST compliant. He checks our GST returns

and prepares the business income tax returns. My mum is kicking a fuss because he is charging us a lot of money. (Pacific entrepreneur 1: Male in the health provider business)

I am not very knowledgeable with the tax requirements in New Zealand... I do not look at tax to really study it as I haven't taken the time nor am I interested because I would look at it and say 'pass'. I rather do something else than to do that. (Pacific entrepreneur 6: Female in the tailoring business)

In summary, the Asian entrepreneurs in this sample had more tax knowledge before commencing their businesses due to their own qualifications or information provided by their social networks. Consequently, they did not find tax compliance to be difficult or onerous compared to the Pacific peoples group. This is because their Asian peers were able to provide relevant tax information which reduced their tax compliance costs. On the other hand, the Pacific peoples group was not able to access the required assistance from their social network regarding filing tax returns. Instead they had to resort to paid assistance which increased their tax compliance costs. Contrary to the Asian group, the social capital possessed by the Pacific peoples group did not benefit them in reducing tax compliance costs. But it is not just social capital, but also human capital in the form of education, that accounts for the differences in the capacities of these groups to deal with business and tax compliance requirements. The lack of academic education on the part of Pacific peoples and the high level of academic education on the part of Asian migrants are a direct result of the New Zealand government immigration policy. Such policies have however, had the unwanted effect of failing to encourage and assist Pacific entrepreneurs. This research finding is similar to that found by Wahlbeck (2007) in respect of Turkish migrants to Finland. These migrants often end up in the fast-food industry because the Finnish general labour market is not open to them. Wahlbeck argues that Finnish government employment agencies were inadvertently perpetuating this by providing Turkish firms (usually fast-food outlets) with co-ethnic employees within the framework of various training schemes (Wahlbeck, 2007).

The authors' findings contribute to the literature in view of the fact that past research on the social capital of migrants was generally related to reducing business labour costs (Katila & Wahlbeck, 2011) but not tax compliance costs.

4.2.2 Tax return preparation and tax payments

4.2.2.1 Asian entrepreneurs

All nine entrepreneurs relied on commercial accounting packages such as MYOB, Xero or QuickBooks to record their business transactions. This enabled tax returns to be prepared easily and regularly. Business transactions were recorded by the entrepreneurs or their family members. Any taxation query was first referred to members within their social networks. In doing so, accounting fees, and therefore tax compliance costs, were kept at a minimum. Their access to social capital helped to ensure that timely and accurate tax returns were filed to avoid tax penalties and fines.

In addition, none of the interviewees experienced lateness in tax payments. They all perceived that the late payment of taxes was a bad business practice that would draw attention from the tax authority which was a situation they all wished to avoid (Gupta

et al., 2008). Asian entrepreneurs resorted to their extended families in New Zealand and their home countries for financial resources to pay taxes if this was needed. This situation was observed by Business expert 9. He claimed that Asian families would endeavour to pull in financial resources to help their entrepreneurs but that this did not happen for the Pacific peoples group due to their lack of finances. He stated:

I see the Asian community very much work within their group, their own family, their own extended family. They seldom use banks, the family is the bank. But the Pacific Islanders don't work in a similar way because they don't have the money. Where it comes to money it doesn't work like this with the Pacific Islander but where it comes to helping, all the family will come together to help like to pack in the container but not with money as there is no money. (Business expert 9: Male from a government agency)

As one Asian entrepreneur commented:

I am helping my family in the bakery and have been for three years. I have to look after the business and do the accounts every weekend when I am not working for someone else. (Asian entrepreneur 4: Female who is helping her family bakery business)

Access to social capital in terms of filing tax returns and tax payments have enabled Asian entrepreneurs to comply with their tax requirements with relative ease. This invaluable social capital in terms of accessing labour and finances also helped reduce tax compliance costs for Asian businesses.

4.2.2.2 *Pacific entrepreneurs*

Five of the Pacific entrepreneurs used accounting packages MYOB and Xero to record their business transactions. However, they also paid bookkeepers to record the data as they were not familiar with the accounting packages. To them, the filing of tax returns was onerous and expensive. The other four entrepreneurs recorded their business transactions manually or on spreadsheets. This meant that tax return preparation could be time-consuming. The majority of the Pacific entrepreneurs were not confident with filing their own tax returns unless they had been perused by an accountant. They did not have readily available networks or family members who were familiar with the tax requirements, and thus incurred higher tax compliance costs. This finding is consistent with the discussion in section 2 of this article of the history of patterns of immigration by Pacific peoples to New Zealand. As discussed, New Zealand government policy has, since the 1950s, consistently encouraged the migration of unskilled Pacific peoples to work in the agriculture, forestry and viticulture industries. Academic education and financial literacy were therefore not a priority for these workers. This has influenced the types of industries that they commence businesses in and their ongoing ability to deal with the paperwork required for operating a business. This can be contrasted with the Asian entrepreneurs who have migrated to New Zealand under skilled migrant programs and who have mainly tertiary qualifications.

Seven of the nine Pacific entrepreneurs consistently had difficulty meeting tax payments. Lateness in tax payments incurs tax penalties and fines which adds to their tax compliance costs. It has been observed by business experts and tax practitioners that Pacific peoples' tax payment difficulties are also closely related to financial demands made by their social networks. These demands include financial

contributions to the church, remittances back to their home countries and paying for extended families' birthdays, weddings and funerals. These financial demands on Pacific peoples are well documented in the literature (Connell & Conway, 2000; Macpherson, 1992; Macpherson & Macpherson, 2004). Business experts also claimed that most Pacific entrepreneurs were willing to help their social networks but to their own detriment. The following statements point to the reasons for tax payment difficulties for Pacific entrepreneurs as being the financial contributions to their social networks:

The Pacific Islanders bring to the business their cultural values of families... In some ways, family can get in the way of the business. For example someone has a business and others think they can go to them and get things for free because they are my family. (Business expert 10: Female from a government agency)

The cultural tradition of giving to the family is very strong. ... My dad had to fight against all his family regarding the Samoan fa'ava lave lave (traditional giving and reciprocity) and there was so much trouble with that. When he said no to the financial giving, that was it and even his own personal family wanted to kill him... The culture to give to your family is ingrained in you the minute that you are born. Your whole existence is to give to the church and to give to the family. (Pacific entrepreneur 6: Female who helps with her husband's arts and craft business)

No I don't do the stereotypical Samoan way of giving anymore because at 21 I left home and left the church and just cut ties with all that... there is a feeling that you are obliged to give and in some church giving there is a competition between some families as they announce the church giving... It is more like the Island's cultures and the whole competition of having a high standing even though I may go hungry because I give to others. (Pacific entrepreneur 2: Male in the clothing design industry)

The expectation of Pacific Islander entrepreneurs to contribute financially to their families and social networks is extremely strong and cannot be denied. Failure to financially contribute to families and social networks when the need arises will lead to adverse repercussions not only to the Pacific Islander entrepreneurs but also their families. Refusal to financially assist with their social networks can result in losing their credibility and societal standing. Consequently, it is difficult for these entrepreneurs to prioritise their business income and resources towards fulfilling taxation and financial demands over the demands from their social networks. Many resort to business resources to fulfil social demands as they do not have access to mainstream finance.

Lack of access to social capital in terms of information about filing tax returns have deterred Pacific entrepreneurs from filing their tax returns without the assistance of paid accountants. They also experienced the negative side of social capital in terms of financial contributions required to meet the needs of their social networks. These demands hindered their ability to pay their taxes on time thereby increasing tax compliance costs resulting from tax penalties and fines.

In summary, the Asian entrepreneurs experienced the positive side of social capital whereas the Pacific peoples group encountered the downside of social capital in terms of tax compliance. This is because the Asian group had assistance from their social networks with tax return preparation and tax payments. On the other hand, no assistance was available for the Pacific peoples group in terms of tax return preparation. Instead of receiving financial assistance from their social networks for tax payments, often Pacific entrepreneurs were required to financially contribute to their social networks as a priority which led to tax payment difficulties. Hence, social capital can constrain or facilitate successful tax compliance for the different ethnic migrant groups.

4.2.3 *Practices and perceptions of the informal economy*

A question was asked regarding Asian and Pacific entrepreneurs' experiences with 'cash jobs'. Cash jobs are cash transactions without declaring taxes, in other words a form of tax evasion (Morse, Karlinsky & Bankman, 2009). It is also referred to in some literature as the shadow economy (Yucedogru & Hasseldine, 2016). All the entrepreneurs in this sample were aware of these practices amongst their peers. Due to low profit margins and strong business competition, most migrant entrepreneurs are tolerant of cash job practices amongst their peers. None of the entrepreneurs admitted to selling goods and services through cash jobs even though they admitted to purchasing them from their peers at a lower price. Some argued that many small businesses would not survive without cash jobs. These ethnic migrants justified their peers' cash job practices with those who blatantly rip tax revenues off the government in terms of sickness and dependency welfare benefits. They did not view their peers as committing benefit/tax fraud when compared to those long-term welfare recipients. Business experts and tax practitioners claimed rampant cash economy amongst small businesses including migrants. This is also motivated by the demands from the public to charge lower prices.

None of the Asian and Pacific entrepreneurs admitted to earning revenue through cash jobs. However, migrants' participation in the informal economy is well documented in the literature (Kloosterman, van der Leun & Rath, 1999). Both the Asian and Pacific entrepreneurs could provide specific examples of practices in the cash economy by their peers and the justification for the cash economy:

The main reason for not declaring the cash job is because they do not have to pay taxes like GST and Income Tax. The main culprit is not the tradesmen. If they have to pay taxes on the cash jobs, they will starve. The ones that are creaming and benefiting are the ones with the takeaways as they ask for cash without receipts. (Asian entrepreneur 2: Male in the finance business)

The takeaways are involved with a lot of the cash jobs as they don't give receipts and so they don't go through the till and they get very grumpy when you ask for a receipt because the transactions are very small amounts. (Pacific entrepreneur 3: Male in the catering business)

Both Asian and Pacific entrepreneurs were sympathetic to their peers who undertook cash jobs because of low profit margins and extensive paperwork in recording business transactions:

There is always cash job like for friends and family. There is no cash job in our business because then we can't deduct the expenses. Cash jobs are really based on the industries especially with the building industry. (Pacific entrepreneur 5: Male in the IT business)

I am not saying that I am doing cash jobs but the average people will pocket the cash jobs of \$100. Because the amount is so small and that the person can control the money coming in ... small businesses do not earn a lot of money and to compensate that, cash jobs would help... Yes, we have experienced people offering us cash jobs for some work to be done with the different pricing. (Asian entrepreneur 6: Female in the education business)

Though none of the migrant entrepreneurs admitted to selling goods or services in the informal economy, observations by business experts and tax practitioners have claimed otherwise:

With the Asians, they have issues with record keeping. My understanding is that they are very astute business people but they do not necessarily want to be 100 percent transparent so we will see what they want us to see. It is also compounded by the fact that a lot of their activities are within their own community so we only see stuff at the border... so cash reporting is an issue... Record keeping for the Pacific probably is not as good as the traditional European style but not too bad. They also have a lot of small value cash items like in the markets. (Business expert 6: Male and from a government agency)

Small businesses do participate in cash jobs. At the end of the day, the onus is on the small businesses to disclose the cash jobs themselves. If you don't disclose and there is no paper transaction, then nobody knows. It all comes down to the person who is discharging their money for services whether they are prepared to forego the documentation. If they are prepared to do that, then we can't stop them. As long as there is a willing buyer and seller, there is no paper trail. (Tax practitioner 2: Male and a sole practitioner)

Even though the migrant entrepreneurs knew of their peers' cash job practices, none of them reported these practices to the tax authority. This is because their peers are part of their social networks and they would not betray their internal trust by reporting them to the authorities. If they made such a report it could damage their social capital and their standing within their social networks. Hence social capital discourages migrant groups from disclosing their peers' cash job practices to the government. It can be seen as tolerating unwarranted tax practices in order to protect their social networks and social capital.

In summary, the role of social capital on the Asian and Pacific entrepreneurs' tax compliance behaviours is shown in Table 1 below:

Table 1: Role of Social Capital on the Migrants' Tax Compliance Behaviours

Ethnic origin	Business start-ups and tax information	Tax return preparation and tax payments	Practices and perceptions of the informal economy	Impact of social capital
Asian	Received transnational funding to start business. Facilitated understanding of tax requirements in New Zealand. Helped to reduce tax compliance costs.	Facilitated tax return preparation and tax payments. Helped to reduce tax compliance costs.	Participated in the informal economy by purchasing from peers. Would not report the cash job practices to the authority.	<i>Overall positive impact on their tax compliance practices.</i> <i>Positive factors:</i> Access to transnational funds; Access to members within their social networks to assist with tax information; Access to social network bookkeepers to process accounting information; Access to financial resources from social networks to always pay their taxes on time.
Pacific peoples	Received transnational funding to start business. Constrained ability to understand tax requirements in New Zealand. Incurred high tax compliance costs.	Constrained ability to file tax returns and make tax payments on time. Incurred high tax compliance costs due to penalties and fines.	Participated in the informal economy by purchasing from peers. Would not report the cash job practices to the authority.	<i>Overall negative impact on their tax compliance practices.</i> <i>Positive factors:</i> Access to transnational funds from their social networks. <i>Negative factors:</i> No access to people within their social network with tax information and tax return preparation skills, therefore have to rely on paid bookkeepers and accountants; No access to financial resources from their social networks to enable them to pay their taxes on time; Financial demands from their social networks reinforced their tax payment difficulties.

5. CONCLUSION AND SUGGESTIONS FOR FUTURE RESEARCH

An increasing number of Asian and Pacific immigrant-entrepreneurs are starting businesses in urban economies such as Auckland, Sydney and Melbourne. The research into these entrepreneurs in Auckland indicates that they are setting up businesses in highly competitive environments and thereby experiencing low profit margins (Kloosterman, 2010).

The aim of this study is to provide insights into the phenomenon of social capital that may influence the tax practices of Asian and Pacific migrant-entrepreneurs in Auckland, New Zealand. Regardless of the general similarities of their collectivistic orientation, a closer look at their tax practices reveals distinct patterns and dynamics. The study indicates that social capital can either constrain or facilitate successful tax practices depending on the context, circumstances, availability and requirements of their social networks.

From an accounting and tax perspective, social capital facilitated successful tax practices for the Asians but was constraining for the Pacific peoples group. This differentiation needs to be acknowledged in assessing the capacity of migrant entrepreneurs to comply with tax requirements in a host country.

The results of this study support the central argument in the literature which suggests that all entrepreneurs are not the same and that even amongst migrant ethnic groups there is some heterogeneity. This research has also produced evidence to contradict the traditional assumption that strong social capital is an asset to migrant ethnic businesses (Davidsson & Honig, 2003; Deakins, Ishaq & Smallbone, 2007).

In light of the above conclusions, a number of implications can be drawn. In terms of policy makers, this research raises the question of whether or not it is useful and/or appropriate to treat migrant entrepreneurs the same as local entrepreneurs. Although some similarities between both Asian and Pacific peoples groups are evident, there are also additional factors, such as accounting and financial assistance and creation of professional networks, which could facilitate successful tax practices especially for the Pacific migrants who are not able to access these skills through their social capital. Community-based business advisers/mentors/coaches who are encouraged to understand the needs of ethnic migrant entrepreneurs and to develop tailored interventions rather than prevailing 'one size fits all' approaches would benefit the Pacific peoples group. Further, tax authorities need to be aware of the role of social capital in constraining and enhancing acceptable tax practices amongst migrant entrepreneurs.

From the academic point of view, this study contributes to the recent call made by several authors to engage in further research related to entrepreneurship and its links to ethnic and migratory factors rather than economic variables (Urbano, Toledano & Ribeiro-Soriano, 2011). The authors argue that a qualitative methodology approach can be useful in uncovering new insights about complex factors that affect tax compliance and that this is demonstrated in this study. However, the findings presented are also limited by the focus of the study and the methodology employed. Like any methodology, qualitative research has its own limitations. Therefore, the conclusions that emerge from this research may not be appropriate in another context

or tax regime. Nevertheless, this exploratory study provides a starting point for future research aimed at analysing tax practices amongst migrant entrepreneurs.

6. REFERENCES

- Altinay, L & Altinay, E 2006, 'Determinants of ethnic minority entrepreneurial growth in the catering sector', *The Service Industries Journal*, vol. 26, no. 2, pp. 203–221.
- Bagwell, S 2008, 'Transnational family networks and ethnic minority business development: The case of the UK Vietnamese nail shop', *International Journal of Entrepreneurial Behaviour and Research*, vol. 14, no. 6, pp. 377–394.
- Barrett, G, Jones, T, McEvoy, D & McGoldrick, C 2002, 'The economic embeddedness of immigrant enterprise in Britain', *International Journal of Entrepreneurial Behaviour and Research*, vol. 8, no. 1-2, pp. 11–31.
- Basu, A 2006, 'Ethnic minority entrepreneurship' in Casson, M, Yeung, B, Basu, A & Wadeson, N (eds.), *The Oxford handbook of entrepreneurship*, Oxford University Press, New York, US.
- Basu, A & Altinay, E 2002, 'The interaction between culture and entrepreneurship in London's immigrant businesses', *International Small Business Journal*, vol. 20, no. 4, pp. 371–393.
- Bedford, R 2003, *New Zealand: The Politization of Immigration*, Migration Policy Institute.
- Biernacki, P & Waldorf, D 1981, 'Snowball sampling: Problems and techniques of chain referral sampling', *Sociological Methods and Research*, vol. 10, no. 2, pp. 141–163.
- Brown, A, Tower, G & Taplin, R 2005, 'The importance of oral communication in a Pacific Island countries' context', *Journal of American Academy of Business, Cambridge*, vol. 7, no. 2, pp. 133–140.
- Chaganti, R & Greene, P 2002, 'Who are ethnic entrepreneurs? A study of entrepreneurs' ethnic involvement and business characteristics', *Journal of Small Business Management*, vol. 40, no. 2, pp. 126–142.
- Clark, K & Drinkwater, S 2010, 'Recent trends in minority ethnic entrepreneurship in Britain', *International Small Business Journal*, vol. 28, no. 2, pp. 136–146.
- Connell, J & Conway, D 2000, 'Migration and remittances in Island microstates: A comparative perspective on the South Pacific and the Caribbean', *International Journal of Urban and Regional Research*, vol. 24, pp. 52–78.
- Cooke, F, Zhang, J & Wang, J 2013, 'Chinese professional immigrants in Australia: a gendered pattern in (re)building their careers', *The International Journal of Human Resource Management*, vol. 24, no. 13, pp. 2628–2645.
- Creswell, J 2006, *Qualitative Inquiry and Research Design: Choosing Among Five Approaches*, SAGE.
- Davidsson, P & Honig, B 2003, 'The role of social and human capital amongst nascent entrepreneurs', *Journal of Business Venturing*, vol. 18, no. 3, pp. 301–331.

- Deakins, D, Ishaq, M & Smallbone, D 2007, 'Ethnic minority businesses in Scotland and the role of social capital', *International Small Business Journal*, vol. 25, no. 3, pp. 307–326.
- Denzin, N & Lincoln, Y 2005, 'Introduction: The discipline and practice of qualitative research' in Denzin, N & Lincoln, Y (eds.), *The Sage handbook of qualitative research (3rd ed.)*, SAGE.
- Department of Labour 2010, *The Asian Workforce: A Critical Part of New Zealand's Current and Future Labour Market*, Department of Labour, Wellington.
- Dhaliwal, S 2000, 'Entrepreneurship – a learning process: the experiences of Asian female entrepreneurs and women in business', *Journal of Education & Training*, vol. 42, no. 8, pp. 445–453.
- Friesen, W 2015, *Asian Auckland: The Multiple Meanings of Diversity*, Asia New Zealand Foundation, Auckland, available at http://www.asianz.org.nz/reports/wp-content/uploads/2015/02/ANZF1033-Auckland-Report_-_FA2.pdf.
- Gargiulo, M & Bernassi, M 1999, 'The dark side of social capital' in Leenders, R & Gabbay, S (eds.), *Corporate social capital and liability*, Kluwer, Boston.
- Geertz, C 1973, *The interpretation of cultures*, Basic Books, New York.
- Gershon, I 2007, 'Viewing diaspora from the Pacific: What Pacific ethnographies offers Pacific diaspora studies', *The Contemporary Pacific*, vol. 19, no. 2, pp. 474–502.
- Gobo, G 2007, 'Sampling, representativeness and generalizability' in Seale, C, Gobo, G, Gubrium, J & Silverman, D (eds.), *Qualitative research practice*, SAGE.
- Granovetter, M 1983, 'The Strength of Weak Ties: A Network Theory Revisited', *Sociological Theory*, vol. 1, pp. 201–233.
- Granovetter, M 1995, 'Coase Revisited: Business Groups in the Modern Economy', *Industrial and Corporate Change*, vol. 4, no. 1, pp. 93–130.
- Gupta, V, Levenburg, N, Moore, L, Motwani, J & Schwarz, T 2008, 'Conclusions: A culturally-sensitive analysis of Confucian family businesses' in Gupta, V, Levenburg, N, Moore, L, Motwani, J & Schwarz, T (eds.), *Culturally-sensitive models of family business in Confucian Asia: A compendium using the GLOBE paradigm*, The Icfai University Press, Hyderabad, India.
- Honig, B 1998, 'What determines success? Examining the human, financial and social capital of Jamaican microentrepreneurs', *Journal of Business Venturing*, vol. 13, pp. 371–394.
- Inland Revenue 2014, *Understanding Migrant Businesses: A Baseline Measure of their Characteristics, Compliance Attitudes, Behaviours, and Drivers*, Inland Revenue, Wellington.
- Irwin, D & Scott, J 2010, 'Barriers faced by SMEs in raising bank finance', *International Journal of Entrepreneurial Behaviour & Research*, vol. 16, no. 3, pp. 245–259.
- Jones, T & Ram, M 2007, 'Re-embedding the ethnic business agenda', *Work, Employment Society*, vol. 21, no. 3, pp. 439–457.
- Jones, T & Ram, M 2010, 'Review article: Ethnic variations on the small firm labour process', *International Small Business Journal*, vol. 28, no. 2, pp. 163–173.

- Katila, S & Wahlbeck, O 2011, 'The role of (transnational) social capital in the start-up processes of immigrant businesses: The case of Chinese and Turkish restaurant businesses in Finland', *International Small Business Journal*, vol. 30, no. 3, pp. 294–309.
- Kloosterman, R 2010, 'Matching opportunities with resources: A framework for analysing (migrant) entrepreneurship from a mixed embeddedness perspective', *Entrepreneurship & Regional Development*, vol. 22, no. 1, pp. 25–45.
- Kloosterman, R & Rath, J 2010, 'Shifting landscapes of immigrant entrepreneurship' in *Open for business: migrant entrepreneurship in OECD countries*, OECD, Paris.
- Kloosterman, R, van der Leun, J & Rath, J 1998, 'Across the border: Immigrants' economic opportunities, social capital and informal business activities', *Journal of Ethnic and Migration Studies*, vol. 24, no. 2, pp. 249–268.
- Kloosterman, R, van der Leun, J & Rath, J 1999, 'Mixed embeddedness, immigrant entrepreneurship and informal economic activities in Netherlands', *International Journal of Urban and Regional Research*, vol. 23, no. 2, pp. 253–267.
- Lee, H 2009, 'Pacific Migration and Transnationalism: Historical Perspectives' in Lee, H & Tupai, S (eds.), *Migration and transnationalism Pacific perspectives*, ANU ePress, Canberra.
- Lee, J (ed.) 2015, *World Migration Report 2015 – Migrants and Cities: New Partnerships to Manage Mobility*, International Organization for Migration, Geneva, Switzerland.
- Macpherson, C 1992, 'Economic and political restructuring and the sustainability of migrant remittances: the case of Western Samoa', *The Contemporary Pacific*, vol. 4, no. 1, pp. 109–136.
- Macpherson, C 2004, 'Transnationalism and transformation in Samoan society' in Lockwood, V (ed.), *Globalization and cultural changes in the Pacific Islands*, Pearson Prentice Hall, New Jersey.
- Macpherson, C & Macpherson, L 2004, 'Churches and the national economy of Samoa: Preliminary analysis' in Jackson, K, Lewis, N, Adams, S & Morten, M (chair), *Proceedings of the Fourth Biennial Conference of the Aotearoa New Zealand International Development Studies Network*, The Mira Szaszy Research Centre for Māori and Pacific Economic Development, Centre for Development Studies, University of Auckland.
- McEvoy, D, Hafeez, K & Keoy, K 2010, 'Special Issue: Ethnic Minority Entrepreneurship and Management: Introduction from Special Editors', *International Small Business Journal*, vol. 28, no. 2, pp. 131–135.
- Ministry of Business Innovation and Employment 2013, *Migration Trends Key Indicators Report – December 2013*, Ministry of Business Innovation and Employment, Wellington.
- Ministry of Economic Development 2012, *SMEs in New Zealand: Structure and Dynamics 2011*, Ministry of Economic Development, Wellington.
- Morse, S, Karlinsky, S & Bankman, J 2009, 'Cash businesses and tax evasion', *Stanford Law and Policy Review*, vol. 20, no. 1, pp. 37–68.
- New Zealand Immigration 2017, *Recognised seasonal employer*, available at <https://www.immigration.govt.nz/employ-migrants/hire-a-candidate/options-for-repeat-high-volume-hiring-new/recognised-seasonal-employer>.

- Obeng-Odoom, F & Jang, H 2016, 'Migrants and the transformation of local neighbourhoods: A study of the socioeconomic transformation of Lidcombe, Australia', *Urbani Izziv*, vol. 27, no.1, pp. 132–148.
- OECD 2001, *The Well-being of Nations: The Role of Human and Social Capital*, OECD, Paris, available at <http://www.oecd.org/site/worldforum/33703702.pdf>.
- Penrod, J, Preston, D, Cain, R & Starks, M 2003, 'A discussion of chain referral as a method of sampling hard-to-reach populations', *Journal of Transcultural Nursing*, vol. 14, no. 2, pp. 100–107.
- Pitrus, W 2015, 'Not all smooth sailing: Barriers to small business success for owner/managers from middle eastern communities in Melbourne', *The Journal of Developing Areas*, vol. 49, no. 6, pp. 293–304.
- Podsiadlowski, A & Fox, S 2011, 'Collectivist value orientations among four ethnic groups: Collectivism in the New Zealand context', *New Zealand Journal of Psychology*, vol. 40, no. 1, pp. 5–18.
- Portes, A 1998, 'Social capital: Its origins and applications in modern sociology', *Annual Review of Sociology*, vol. 24, pp. 1–24.
- Portes, A & Sensenbrenner, J 1993, 'Embeddedness and immigration: Notes on the social determinants of economic action', *American Journal of Sociology*, vol. 98, pp. 1320–1350.
- Putnam, R 2000, *Bowling alone: The collapse and revival of American community*, Simon & Schuster.
- Ram, M & Jones, T 2008, *Ethnic Minorities in Business*, Open University Business School, Walton Hall, Milton Keynes.
- Ram, M, Jones, T, Edwards, P, Kiselinchev, A, Muchenje, L & Woldesenbet, K 2011, 'Engaging with super-diversity: New migrant businesses and the research–policy nexus', *International Small Business Journal*, vol. 31, no. 4, pp. 337–356.
- Ram, M, Jones, T & Villares-Varela, M 2017, 'Migrant entrepreneurship: Reflections on research and practice', *International Small Business Journal*, vol. 35, no. 1, pp. 1–16.
- Ram, M & Smallbone, D 2003, 'Policies to support ethnic minority enterprise: the English experience', *Entrepreneurship & Regional Development: An International Journal*, vol. 15, no. 2, pp. 151–166.
- Ram, M, Smallbone, D & Deakins, D 2002, *Ethnic minority businesses in the UK: Access to finance and business support*, British Bankers' Association, London.
- Robie, D 2009, 'Diversity reportage in Aotearoa: Demographics and the rise of the ethnic media', *Pacific Journalism Review*, vol. 15, no. 1, pp. 67–91.
- Romero, I & Yu, Z 2015, 'Analyzing the influence of social capital on self-employment: a study of Chinese immigrants', *Annals of Regional Science*, vol. 54, pp. 877–899.
- Sanders, J & Nee, V 1996, 'Immigrant self-employment: The family as social capital and the value of human capital', *American Sociological Review*, vol. 61, no. 2, pp. 231–249.

- Schwartz, S 1990, 'Individualism-collectivism: Critique and proposed refinements', *Journal of Cross-Cultural Psychology*, vol. 21, pp. 139–157.
- Smallbone, D, Kitching, J & Athayde, R 2010, 'Ethnic diversity, entrepreneurship and competitiveness in a global city', *International Small Business Journal*, vol. 28, no. 2, pp. 174–190.
- Spoonley, P 2014, 'Rising Asian immigration highlights New Zealand's changing demographics', *The Conversation*, 12 February, available at <https://theconversation.com/rising-asian-immigration-highlights-new-zealands-changing-demographics-23002>.
- Stahl, C & Appleyard, R 2007, *Migration and developments in the Pacific Islands: Lessons from the New Zealand Experience*, Australian Agency for International Development.
- Statistics New Zealand 2013, *Major Ethnic groups in New Zealand: 2013 Census*, Statistics New Zealand, Wellington, available at <http://www.stats.govt.nz/Census/2013-census/profile-and-summary-reports/infographic-culture-identity.aspx>.
- Strickland, P 2013, 'Examining the impact of four key cultural dimensions on ethnic restaurants in Victoria in Australia', *Asia Pacific Journal of Tourism Research*, vol. 18, no. 5, pp. 483–500.
- TEARA 2016, *Intolerance towards Pacific migrants*, available at <http://www.teara.govt.nz/en/ethnic-and-religious-intolerance/page-4>.
- The World Bank 2013, *Doing Business 2013: Smarter Regulations for Small and Medium-Size Enterprises*, The World Bank, Washington.
- Tiatia, J 1998, *Caught between cultures: A New Zealand-born Pacific Island perspective*, Christian Research Association, Auckland.
- Tsui-Auch, L 2004, 'The professionally managed family-ruled business: Ethnic Chinese business in Singapore', *Journal of Management Studies*, vol. 41, no. 4, pp. 693–723.
- Urbano, D, Toledano, N & Ribeiro-Soriano, D 2011, 'Socio-cultural factors and transnational entrepreneurship: A multiple case study in Spain', *International Small Business Journal*, vol. 29, no. 2, pp. 119–134.
- van Hulten, A & Ahmed, A 2013, 'Migrant entrepreneurs' access to business finance in Australia', *Journal of Developmental Entrepreneurship*, vol. 18, no. 1, pp. 1–22.
- Vertovec, S 2007, 'Super-diversity and its implications', *Ethnic and Racial Studies*, vol. 30, no. 6, pp. 1024–1054.
- Wahlbeck, O 2007, 'Work in the kebab economy', *Ethnicities*, vol. 7, no. 4, pp. 543–563.
- Yong, S & Martin, F 2016, 'Tax compliance and cultural values: the impact of "individualism and collectivism" on the behaviour of New Zealand small business owners', *Australian Tax Forum*, vol. 31, no. 2, pp. 289–320.
- Yong, S, Northcott, D & Hooper, K 2014, 'Culture and the tax compliance behaviour of ethnic business owners', *New Zealand Journal of Taxation Law and Policy*, vol. 20, pp. 71–90.

Yucedogru, R & Hasseldine, J 2016, 'Understanding tax morale of SMEs: A qualitative study',
eJournal of Tax research, vol. 14, pp. 531–566.

Appendix 1: Demographic and Biographic Information of Asian and Pacific Entrepreneurship and Tax Compliance

Migrant entrepreneurs A – Asian P – Pacific	Country of origin	Tertiary qualification	Background	Business industry	Length of business	Service ethnic clients	Has access to peers who could assist with tax queries	Experienced tax payment difficulty	Aware of cash jobs practices by peers
A1	Hong Kong	Entrepreneur – No Spouse – Yes	Motor mechanic	Car repairs	12 years	No	No	No	Yes
A2	Malaysia	Yes	Accountant and banker	Financial services	7 years	Yes	Yes	No	Yes
A3	India	Yes	Accountant	Export	3 years	No	Yes	No	Yes
A4	Cambodia	Yes	Accountant	Bakery	3 years	No	Yes	No	Yes
A5	India	Yes	Management	Food	1 year	Yes	Yes	No	Yes
A6	Japan	Yes	Teacher	Education	13 years	Yes	Yes	No	Yes
A7	India	Yes	Management	Food	15 years	Yes	Yes	No	Yes
A8	Malaysia	Yes	Accountant	IT support	11 years	No	Yes	No	Yes
A9	China	Yes	IT and accounting entrepreneur and spouse	Online retailing	Less than 1 year	No	Yes	No	Yes
P1	Niue	Yes	Management	Health provider	10 years	Yes	No	Yes	Yes
P2	Samoa	Part – did not complete tertiary qualification	Teacher and has a European spouse who is an administrator	Clothing designer and retailer	1.5 years	Yes	No	No	Yes

Migrant entrepreneurs A – Asian P – Pacific	Country of origin	Tertiary qualification	Background	Business industry	Length of business	Service ethnic clients	Has access to peers who could assist with tax queries	Experienced tax payment difficulty	Aware of cash jobs practices by peers
P3	Fiji	No	Banker and has a European spouse who is a lawyer	Food catering	7 years	No	No	No	Yes
P4	Samoa	Yes	Body embalmer	Funeral support services	9 years	Yes	No	Yes	Yes
P5	Samoa	Yes	Computing	IT support service	4.5 years	No	No	Yes	Yes
P6	Samoa	No	Tailor	Dressmaker	27 years	Yes	No	Yes	Yes
P7	Samoa	No	Labourer	Arts and craft	Less than 1 year	Yes	No	Yes	Yes
P8	Cook Island	No	Administrator	Transportation services	Not disclosed	Yes	No	Yes	Yes
P9	Samoa	No	Restaurant services	Bar and restaurant services	Not disclosed	Yes	No	Yes	Yes