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Interrogating the Effectiveness of the Cooperative Approach in Enhancing Tax Compliance among Tanzania's Large Corporate Taxpayers

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Abstract

This paper tests the applicability of the cooperative approach to improving tax compliance of large corporate taxpayers in Tanzania. Specifically, the paper examines the influence of Quality Taxpayer Services (QTS) and Mutual Understanding (MU) on Tax Compliance (TC) among the country's large corporate taxpayers, drawing on the Social Contract Theory (SCT) and Trust Dimension of the Slippery Slope Framework (SSF). Data were collected from 215 large corporate taxpayers in Tanzania and analysed using Partial Least Squares Structural Equation Modelling (PLS-SEM). The results generally show that the cooperative approach framework has modest explanatory and predictive power on large corporate taxpayers. This result contests the literature on the fact that a cooperative approach significantly drives large taxpayers' tax compliance. Particularly, the results support the hypothesised direct relationship: quality taxpayer service significantly positively influences tax compliance among large corporate taxpayers in Tanzania. Conversely, mutual understanding indicates no significant effect. Thus, we contend that relying solely on a cooperative approach is insufficient to improve tax compliance and thus requires reconceptualisation to include institutional and organisational measures. As such, policymakers ought to desist from over-relying on the cooperative approach to interventions with large corporate taxpayers. Nevertheless, the study observed the quality of taxpayer services to be low, implying that the Tanzania Revenue Authority (TRA) should improve the quality of its services.

Keywords: Tax Compliance, Quality Taxpayer Services, Mutual Understanding, Large Corporate Taxpayer, Social Contract Theory

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Introduction

Ensuring tax compliance remains a significant issue in numerous developing nations, where governments rely heavily on domestic tax revenue to fund public services and promote sustainable economic development (World Bank, 2019). Tax revenue in Tanzania, for example, accounts for a significant share of total revenue (BoT, 2022), but the majority comes from large taxpayers, who contribute between 70 per cent and 80 per cent of the total amount collected (TRA, 2024). Since the government's ability to collect taxes depends heavily on taxpayers' compliance behaviour, noncompliance results in a shortfall that hinders the government's ability to provide public goods and services. Due to problems with tax administration and noncompliance, Tanzania's tax revenue has been about 12 per cent of GDP over the past 10 years, considerably lower than the sub-Saharan African average of 18 per cent (Ebrahim et al., 2024). These revenue deficits impede the government's ability to carry out its duties.

To improve tax administration efficiency and increase compliance, Tanzania, through the Tanzania Revenue Authority (TRA), introduced a dedicated Large Taxpayers' Department that focuses solely on large taxpayers (Mzalendo & Chimilila, 2020). This introduction of the large taxpayer department aimed at providing consistent high-quality services to large taxpayers and at securing revenue, considering the contribution large taxpayers make to the country's coffers (Fjeldstad & Heggstad, 2011). Implicitly, the relationship between TRA's large taxpayer department and large taxpayers is characterised by high-quality services and cooperation, aligning with the reasons for its inception. In fact, the literature on large taxpayers also supports using collaborative methods to boost tax compliance (OECD, 2009). Nevertheless, Siglé et al. (2018) contend that this strategy lacks empirical support and remain uncertain about whether it can achieve the desired outcomes. Therefore, it is essential to empirically probe the role of cooperative strategies in influencing the compliance behaviour of large taxpayers, particularly in Tanzania. Moreover, large corporations have faced growing criticism for tax avoidance, yet empirical research on this segment of taxpayers has primarily focused on economic factors, overlooking non-rational influences (Siglé et al., 2018). In some instances, non-rational elements have affected tax compliance (Dularif & Rustriarini, 2022; Faizal et al., 2017; Falsetta et al., 2023; Nurkholis et al., 2020; Oktaviani et al., 2017); however, findings have also been contradictory, including when simplifying tax payment processes failed to translate into heightened compliance (Mas'ud et al., 2015).

In this endeavour, the study theoretically advances the incorporation of Social Contract Theory and the Trust Dimension of the Slippery Slope Framework in explaining the tax compliance behaviour of large corporate taxpayers in Tanzania, drawing on quality taxpayer services and mutual understanding. This

research also empirically contributes to understanding tax compliance behaviour among large corporate taxpayers in Tanzania, thereby addressing the research gap in the empirical validation of the cooperative approach to tax compliance for these entities. Practically, the study provides valuable insights for governments in developing nations, especially in Tanzania, as well as for tax policymakers and administrators. Specifically, it can help them grasp the implications of the cooperative approach to the tax compliance behaviour of large corporate taxpayers, thereby assisting them in designing suitable tax policies and strategies specifically for this group of taxpayers.

Theoretical Literature Review

Thomas Hobbes and John Locke initially developed the Social Contract Theory, with Jean Jacques Rousseau further building on it (Laskar, 2013; Rousseau, 1762). The theory explains the reasons behind taxpayers' compliance beyond mere economic consequences. In the modern tax regime compliance, the Social Contract Theory is negotiated through everyday interactions between taxpayers and the government, whereby willingness to comply increases when authorities build institutional trust rather than applying excessive coercion (Feld & Frey, 2007). Revenue authorities, therefore, need to treat taxpayers as clients under the Social Contract Theory (Alabede et al., 2011; Christian & Alm, 2014; Mangoting & Sukoharsono, 2015). Under this framework, tax authorities can offer taxation services of the desired quality (Nurkholis et al., 2020), leading taxpayers to meet willingly their tax obligations, which ultimately enhances tax compliance (Laskar, 2013; Mangoting & Sukoharsono, 2015). Prior studies have emphasised that both individuals and organisations develop psychological tax contracts based on trust and legitimacy (Feld & Frey, 2007; Kirchler, 2007).

Furthermore, the Trust Dimension of the Slippery Slope Framework (SSF) suggests that voluntary tax compliance is enhanced by trust in authorities (Kirchler et al., 2008). In other words, trust is built on transparency, service excellence, and cooperative relationships between taxpayers and authorities. Quality taxpayer services and mutual understanding, thus, serve as institutional elements that cultivate trust and maintain the social contract between taxpayers and the government. Implicitly, tax authorities ought to enhance the provision of quality services to help taxpayers meet their obligations by boosting cooperation through the provision of sufficient information and encouraging communication, alongside refining the tax system (Alm et al., 2010; Jiménez & Iyer, 2016; Krause, 2000; Simone et al., 2013). Conversely, tax authorities should adopt an approach characterised by mutual respect and trust towards taxpayers (Gangl et al., 2013; Kirchler et al., 2008; Alm & Torgler, 2011).

This theoretical framework relates to large taxpayers, as it suggests that enhancing the relationship between large taxpayers and tax authorities fosters greater collaboration and transparency (OECD, 2009). For large corporate taxpayers, ongoing engagement with tax authorities can eventually translate into a compliance culture defined by fairness, transparent communication, and shared understanding. Nevertheless, these qualitative factors still demand empirical validation, and uncertainty whether they yield the anticipated outcomes persists (Siglé et al., 2018). To fill this gap, the present study applied the Social Contract Theory and Trust Dimension of the Slippery Slope Framework to examine how quality taxpayer services and mutual understanding affect tax compliance among large corporate taxpayers in Tanzania.

Empirical Literature Review and Hypotheses Development

Quality Taxpayer Services and Tax Compliance

Quality taxpayer service refers to how taxpayers assess tax authorities by the services they provide (Au et al., 2023). Grounded in Social Contract Theory, taxpayers believe that the government maintains a favourable stance regarding tax services. This belief makes it easier for taxpayers to meet their responsibilities and consistently motivates them to adhere to tax laws and regulations. This aligns with Gangl et al.'s (2013) study, which found that compliance is driven not only by coercion but also by service quality, including information clarity and responsiveness to inquiries. Emerging economies and developing nations have prioritised service quality as a key issue for tax authorities, considering inadequate tax revenue performance, by treating taxpayers as clients and emphasising service provision (Au et al., 2023). This focus has been particularly emphasised for large taxpayers, as suggested in the literature (Donnelly & Heneghan, 2010; Larsen & Oats, 2019). Therefore, these large taxpayers can fulfil their tax obligations when happy with the quality of tax services provided; otherwise, instances of noncompliance can materialise.

Empirical studies further reinforce the theoretical proposition. Oktaviani et al. (2017) examined the effect of tax service quality, tax awareness, and tax knowledge and comprehension on the individual's tax compliance at the Jakarta Penjaringan KPP. They found that tax service quality has a significantly positive effect on tax compliance. Similarly, Susuawu et al. (2020) investigated how quality tax services impact tax compliance of SME in Ghana, finding a significant positive effect. Dularif and Rustiarini (2022) and Nurkholis et al. (2020), through a systematic review and meta-analysis of previous empirical studies on measures that significantly impact tax compliance, found that quality taxpayer services emerged as a significant measure affecting tax compliance. In general, these studies highlight that when

tax authorities provide accessible information and responsive assistance, taxpayers are more likely to comply. There are, however, limited studies on large taxpayers, despite their prominence in the literature on large taxpayers (Small & Brown, 2019). Hence, it is hypothesised that:

***H1**: Quality Taxpayer Services have a positive influence on the tax compliance of large corporate taxpayers.*

Mutual Understanding and Tax Compliance

The social tax contract suggests that both tax authority and taxpayers should engage in a manner characterised by respect and honesty, functioning as partners (Frey & Feld, 2002). The effectiveness of interaction and collaboration between tax officials and taxpayers depends on a shared understanding and acceptance of common beliefs and views on tax matters (Kirchler et al., 2006). Proponents of a cooperative approach assert that fostering mutual understanding can be beneficial to induce tax compliance behaviour (Akhand & Hubbard, 2016). Consequently, when tax authorities view taxpayers as inferior within a hierarchical structure, the social tax contract is breached, causing taxpayers to neglect their obligations and avoid taxes reasonably.

Few studies provide support for the influence of mutual understanding on tax compliance, although it is not explicitly mentioned as such. Belahouaoui and Attak (2025) used a qualitative methodology to explore the relationship between tax authorities and taxpayers in emerging economies, specifically Morocco, to understand how this relationship affects tax compliance behaviour. They found tax compliance to be largely dependent on the quality of the relationship and the degree of mutual trust between tax authorities and taxpayers. Effective communication, tax procedure simplification, tax law clarity, and the digitisation of tax services are important variables influencing this relationship. They further concluded that there is an interconnection between relational elements and compliance attitudes, which is empirically tested in this study.

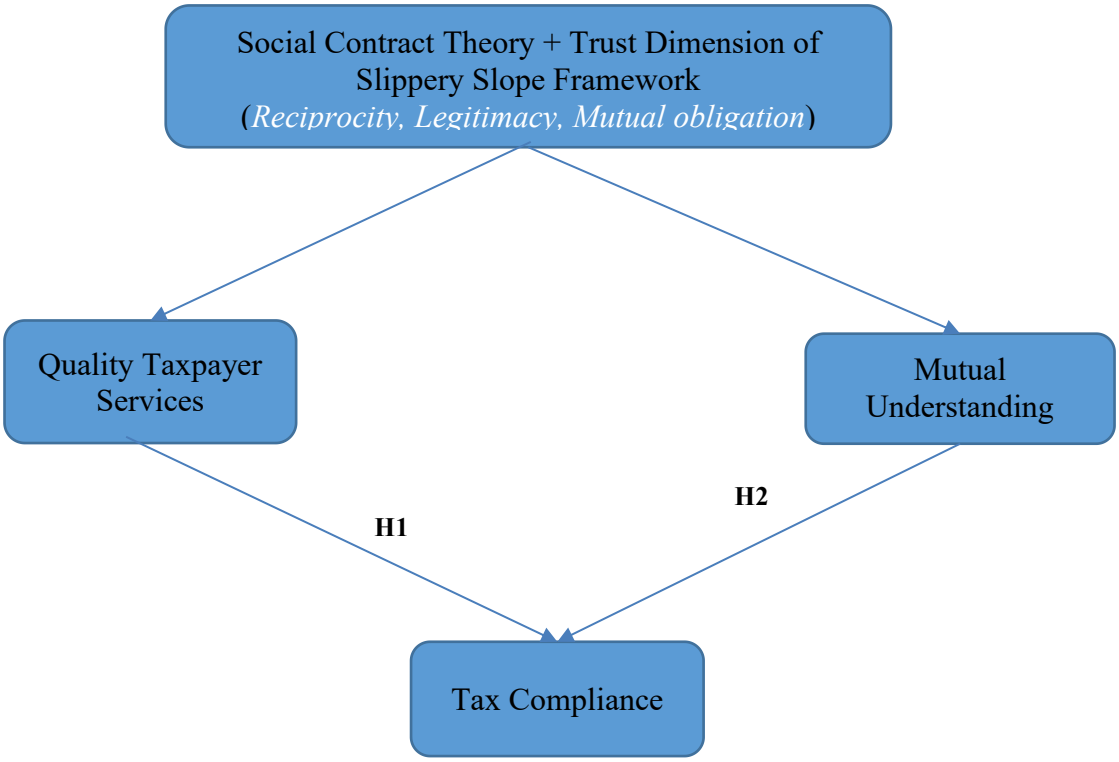
Likewise, in Australia, Kirchler et al. (2006) investigated how shared perceptions between taxpayers and tax officers influence the intent to cooperate and tax compliance. They found that when taxpayers and tax authorities share positive attitudes and stronger feelings of trust and legitimacy, taxpayers show higher intent to cooperate and greater compliance. The shared perception, therefore, between taxpayer and authority regarding fairness, complexity, administrative support, effective communication, and transparency significantly enhances compliance. However, Akhand and Hubbard (2016) report contradictory results for large taxpayers, where mutual understanding was found to be insignificant, which the authors attributed to challenges in defining and measuring the variable as a single dimension. Therefore, despite the existing theoretical literature suggesting that mutual understanding affects tax compliance, there are still few studies, possibly due to challenges in defining and measuring the variable. As this topic has not been thoroughly investigated, and it remains unclear whether they have an empirical effect on tax compliance, this has motivated the present study. This study, therefore, examined how mutual understanding affects tax compliance, with the premise:

***H2:** Mutual Understanding has a positive influence on the Tax Compliance of large corporate taxpayers.*

Conceptual Framework

Based on a review of both theoretical and empirical literature, it can be suggested that high-quality taxpayer services and mutual understanding positively influence tax compliance, as illustrated by the conceptual model in Figure 1.

Figure 1: Conceptual Framework



Source: Literature Review (2024)

Research Methodology

Sample Selection and Data Collection

The study collected requisite data at a single point from large corporate taxpayers in Tanzania from October 2024 to January 2025. Although this approach well establishes correlation, it has limited ability to prove causation. There are 610 large corporate entities in Tanzania (TRA, 2024). Of the 610 large corporate entities, 82%, 6%, and 3% were from Dar es Salaam, Arusha, and Mwanza, respectively, while the other regions accounted for only 1% or less. Hence, the focus on these regions may limit the generalisation to other regions. According to the table created by Krejcie and Morgan (1970), the required sample size was 242 large corporate taxpayers; 227 questionnaires were returned, representing a 93.8% response rate. Of the questionnaires received, 12 were excluded due to missing data, leaving 215 for analysis.

The unit of analysis was the large corporate taxpayers. In contrast, the unit of inquiry included the Chief Finance Officer, Finance Director, Finance Manager, or Tax Manager, who are actively involved in tax decisions in their respective entities. One respondent represented each large corporate entity. A questionnaire was employed to collect data by physically visiting large corporate entities. To ensure comprehension and a high response rate, the questionnaires were first distributed to the companies to familiarise with them. After two or three days, follow-up was initiated. Additionally, the questionnaire outlined the purpose of the study and guaranteed the confidentiality of respondents; neither the individual's nor the company's name was disclosed. Before its application, this research instrument underwent various procedures to ensure its reliability and validity. Experts in the field assessed content validity. Further a pilot study was conducted to test clarity and reliability with 20 participants, producing satisfactory results with Cronbach's alpha (α) ranging from 0.87 to 0.91 for all constructs surpassing the acceptable limit of 0.7 (Cronbach, 1955; Robinson, 2018).

Variable Measurements

This study focused on three latent variables, each measured using multi–construct indicators to adequately capture their meanings. In this study, the construct of quality taxpayer service is evaluated using five items adapted from Au et al. (2023) which are "TRA staff are always ready to provide service", "The problems related to the tax support application system (filing and payment system) of the tax authority are regularly overcome in time", "Unit functions of the TRA are very well together as a team", "TRA keeps its record accurately", and "TRA makes accurate promises about the delivery time of services". Mutual understanding, as an emerging concept, lacks agreed-upon indicators in the tax compliance context; hence, it was borrowed from other disciplines. The evaluation of the variable was based on four questions regarding taxpayers' perceptions of their relationship with the tax authority: "TRA has a better understanding of our business model", "TRA has a good level of understanding of the business

environment", "There exist an effective communication and liaison mechanism between TRA and our company", and "TRA and our company have a shared understanding of how a good relationship can be used to increase compliance". These measures have been adapted from Jentsch et al. (2014) for business-IT alignment. The measures adapted cover important aspects of mutual understanding that are theoretically relevant to interactions between tax authorities and taxpayers, such as shared interpretation, clear communication, and understanding of business processes. These dimensions represent the cognitive and communicative processes required for cooperative behaviour, which are essential to Social Contract Theory and tax compliance (Belahouaoui & Attak, 2025; Kirchler et al., 2006), even though they were originally developed in a business-IT context. In addition, the indicators were subjected to measurement model assessment to confirm reliability and validity.

The dependent variable, tax compliance in this study, is measured using five indicators adapted from Kirchler and Wahl (2010). The indicators are represented by questions "We pay our taxes as required by the law because to us it's obvious that this is what we do", "We pay our taxes as required by the law to support the state and other citizens", "We pay our taxes as required by the law because we like to contribute to everyone's good", "We pay our taxes as required by the law because for us it's the natural thing to do", "We pay our taxes as required by the law because we regard it as our duty as a corporate citizen". All the constructs were measured on a 5-point Likert scale (1 = strongly disagree to 5 = strongly agree).

Data Analysis

The study employed descriptive and inferential statistics to examine the data, with descriptive statistics carried out using Microsoft Excel. In contrast, inferential statistics were performed using Partial Least Squares-Structural Equation Modelling (PLS-SEM) via SmartPLS v. 4.0, whereas descriptive statistics facilitated the examination of the characteristics of respondents and large corporate taxpayers. In contrast, inferential statistics were primarily employed to evaluate the proposed relationships. PLS–SEM was chosen because of its capability to determine causal-predictive of the model, as well as not assuming normal distribution (Hair et al., 2019; Sarstedt et al., 2021). The quadratic effect was performed to test linearity; quality taxpayer services and mutual understanding had p-values of 0.528 and 0.148, respectively, indicating a linear relationship between the constructs. Similarly, no outliers were detected based on Z-scores, which were all below the recommended absolute value of ±3 (Hair et al., 2017).

Study Results

Respondents' and Large Corporate Taxpayers' Profiles

Of the 215 respondents, most were male (161, 75%), aged between 36 and 45 years (103, 48%), and the majority were finance managers (53%, 113). In terms of education, all participants possess at least a bachelor's degree. This indicates that the majority of senior roles within the finance divisions of major corporate taxpayers are held by educated individuals who base their tax compliance decisions on rational analysis of existing situations. The findings reveal that 106 participants (49%) hold a bachelor's degree, 103 (48%) have a master's degree, and 6 (2.8%) possess a PhD. These factors suggest that the sample has the relevant business experience, academic qualifications, and expertise to address the research question effectively. Table 1 indicates the business type and age details of the visited large corporate taxpayers:

Table 1: ***Demographic Profile of Large Corporate Taxpayers***

S/N	Demographic	Subset	Frequency	Percentage
1	Business type	Agriculture	7	3%
		Extractive (Mining and oil & gas)	27	13%
		Financial and Insurance	27	13%
		Services	56	26%
		Manufacturing	70	33%
		Property and construction	20	9%
		Technology and Telecommunication	6	3%
		More than 1 business	2	1%
		Total	**215**	
2	Age of the entity	1-10 years	19	9%
		11-20 years	86	40%
		21-30 years	55	26%
		More than 30 years	55	26%
		Total	**215**	

Source: Field Data (2024)

As Table 1 illustrates, most of the large corporate entities were in the manufacturing industry (70, 33%), followed by services (56, 26%) and extractive and financial insurance (27, 13%). This implies fair representation of entities across sectors. Most large corporate taxpayers (86, 40%) were between 11 and 20 years old since incorporation, while 110 (52%) were over 20 years old. This indicates that it may take several years for an entity to generate significant revenue to be categorised as a large taxpayer.

Descriptive Statistics of Study Constructs

Descriptive statistics were interpreted based on a 5-point Likert scale: 1.00–1.80 (Strongly Disagree), 1.81–2.60 (Disagree), 2.61–3.40 (Neutral), 3.41–4.20 (Agree), and 4.21–5.00 (Strongly Agree) (Sözen & Güven, 2019). A summary of the descriptive statistics for the key constructs of the study is presented in Table 2.

Table 2: ***Descriptive Statistics of Study Key Constructs***

Variable / Construct	Mean	SD	Comments
Tax Compliance	3.86	1.00	Tax Compliance is slightly above average; however, moderate variability indicates that while most respondents agree, a few had different views.
Quality Taxpayer Services	3.20	1.04	The quality of taxpayer services is perceived as low, and delivery inconsistencies may vary across taxpayers.
Mutual Understanding	3.10	1.11	Mutual Understanding is perceived as low, and there is diversity of opinion.

Source: Data analysis (2025)

Results in Table 2 suggest a low perception of quality in taxpayer services and a lack of mutual understanding among large corporate taxpayers. With some variability among respondents, their experiences or opinions diverge.

PLS-SEM Analysis and Tests for Hypothesised Relationships

Measurement Model Evaluation

By assessing the measurement model, one can determine how well the indicators capture each construct. The PLS framework on assessment of the measurement model mainly depends on two fundamental criteria: reliability and validity (Hair et al., 2021; Hair et al., 2019). In this research, the reliability of the instrument was evaluated using Cronbach's alpha and Composite Reliability (CR), both of which require a minimum threshold of 0.7 (Cronbach, 1955; Hair et al., 2019; Robinson, 2018). Despite all constructs demonstrating the model's reliability, because every measure was above the 0.7 cut-off mark, as indicated in Table 3, an additional test of Rho_a yielded a score of 1.06 for mutual understanding, which could indicate high correlation among the indicators of this construct; hence, the elimination of indicator MU2.

Table 3: ***Tests for Measurement Model Evaluation***

Constructs	Indicators	Loadings	Cronbach Alpha	Rho_a	Rho_c	AVE
Quality Taxpayer Services	QTS1	0.787	0.894	0.948	0.920	0.699
	QTS2	0.694				
	QTS3	0.910				
	QTS4	0.912				
	QTS5	0.858				
Mutual Understanding	MU1	0.911	0.913	1.016	0.933	0.777
	MU2	0.779				
	MU3	0.902				
	MU4	0.925				
Tax Compliance	TC1	0.824	0.871	0.889	0.905	0.658
	TC2	0.746				
	TC3	0.771				
	TC4	0.815				
	TC5	0.891				

Source: Data Analysis (2025)
Note: QTS=Quality Taxpayer Services, MU=Mutual Understanding, and TC= Tax Compliance

On validity, the model is valid because the AVEs and item loadings for all constructs were above the thresholds of 0.5 and 0.4, respectively (Hair et al., 2011; Hair et al., 2021), as indicated in Table 3. The HTMT ratio was below the required threshold of 0.90 (Henseler et al., 2015), confirming the model's validity, as indicated in Table 4. Further, Variance Inflation Factor (VIF) was used to assess multicollinearity, and the results showed no threat to multicollinearity, as all VIF values were below 5, as recommended by Hair et al. (2021). Furthermore, common method bias can be a concern where data are self-reported from single respondent. However, all VIFs were below the threshold of 3.3, ensuring no common method bias (Kock, 2015).

Table 4: *HTMT and VIF Statistics*

	Quality Taxpayer Services	Mutual Understanding	VIF
Quality Taxpayer Services			2.989
Mutual Understanding	0.881		2.989
Tax Compliance	0.385	0.342	

Source: Data Analysis (2025)

Structural Model Evaluation

The hypotheses were verified by examining the structural model after the measurement model's validity and reliability were established. The model's explanatory power, measured by R^2, and its predictive relevance, measured by Q^2, were examined (Hair et al., 2019). The results yielded an R^2 of 0.084, indicating that quality taxpayer services and mutual understanding explained about 8.4% of the variance in tax compliance among large corporate taxpayers. Based on established benchmarks (Cohen, 1988), this was considered to have modest explanatory power. For the Q^2 statistic, the tax compliance construct value is 0.027, which is above zero, suggesting the model's predictive relevance, although minimal (Hair et al., 2019; Henseler et al., 2009).

Tests for the Hypothesised Relationship

In PLS-SEM, researchers assess hypotheses by analysing path coefficients (β), normal signs, and t-values (Hair et al., 2017). Furthermore, Hair et al. (2017, 2019, and 2021) indicate that the key t-values are 1.28 at a significance level of 10%, 1.65 at a significance level of 5%, and 2.33 at a significance level of 1%. The outcomes of the analysis are presented in Table 5.

Table 5: *Test Result for the Hypothesised Relationship*

Hypothesis	**Path**	**β- Coefficient**	**SE**	**T – Statistics**	**P Values**	**Decision**
H1	QTS->TC	0.317	0.131	2.417	0.008	Supported
H2	MU-> TC	-0.045	0.161	0.278	0.390	Not Supported

Source: Data analysis (2025)

QTS=Quality Taxpayer Services, MU= Mutual Understanding, and TC= Tax Compliance

Testing of Hypothesis H1 aimed to establish the influence of Quality Taxpayer Services on Tax Compliance. The results obtained were $\beta = 0.317$, $SE = 0.131$, $t = 2.417$, $p < 0.01$, indicating that quality taxpayer services have a significant positive influence on tax compliance of large corporate taxpayers in Tanzania. Therefore, hypothesis 1 is supported. Results suggest that a 1 percentage-point increase in the quality of taxpayer services leads to a 0.317 increase in tax compliance.

Meanwhile, the testing of Hypothesis H2 established the influence of Mutual Understanding on Tax Compliance. The results obtained were $\beta = -0.045$, $SE = 0.161$, $t = 0.278$, $p > 0.1$, indicating that mutual understanding has an insignificant negative influence on tax compliance of large corporate taxpayers in Tanzania. Therefore, hypothesis 2 is not supported. This suggests that variations in mutual understanding do not predict taxpayers' compliance behaviour among large corporate taxpayers.

Discussion of Findings

Quality Taxpayer Services and Tax Compliance

This study investigated the influence of quality taxpayer services on large corporations' tax compliance. The study's conclusions showed a significant positive effect of quality taxpayer services on tax compliance among Tanzania's large corporations; however, the model had minimal explanatory and predictive power (R^2=0.084, Q^2=0.027). This finding aligns with the Social Contract Theory, the literature on large taxpayers, and prior studies suggesting that quality taxpayer services affect tax compliance

(Abdulla et al., 2022; Oktavian et al., 2017; Susuawu et al., 2020). The current study shows a higher coefficient of 0.317 than previous studies, suggesting a greater influence of quality taxpayer services on large corporate taxpayers in Tanzania. Unlike other segments of taxpayers covered in previous studies, large corporations have a well-structured tax management system and engage in more frequent interactions with tax authorities, hence quality services are more profound. The limited explanatory power notwithstanding, this study indicates that healthier relationships between large corporate taxpayers and tax authorities, through high-quality taxpayer services, can improve tax compliance. In addition, this finding validates that quality taxpayer services alone cannot drive tax compliance, and those other factors need to be considered to establish a holistic framework that can explain a significant portion of this group's tax compliance behaviour. This substantiates Andreoni et al. (1998) statement, who indicated that social psychological theories alone are insufficient to stop tax noncompliance and therefore need to be integrated with economic deterrent measures.

Despite the notable positive influence, the findings show that the quality of taxpayer services is perceived as low (M=3.20). Large corporations prioritise the accurate and prompt delivery of tax services. Similar to this study's findings, a majority of large corporate entities expressed disagreement (M=2.75) with the assertion that "TRA maintains its records accurately." This suggests inadequate record-keeping of taxpayer information, which could require taxpayers to resubmit documents that were already provided to the revenue authority. Consequently, it is crucial for the revenue authority to develop more effective methods for accurately maintaining taxpayer records and making them easily accessible, as this would conserve resources for both the authority and taxpayers. Moreover, one of the essential characteristics of quality taxpayer services is the effectiveness of the tax systems, which taxpayers have expressed dissatisfaction with. An efficient tax system promotes tax compliance by simplifying the filing and payment process. However, existing issues in the tax system can hinder taxpayers' efforts to comply with tax regulations. Numerous governments have made significant strides to enhance service quality through their staff and information systems (Nurkholis et al., 2020), a practice that the Tanzania government should also adopt.

Finally, the revenue authority should conduct customer satisfaction surveys regularly to evaluate its performance. This approach will help identify any areas of concern that may require prompt attention. Since large corporations contribute a substantial portion of tax revenue, it is crucial to manage these relationships effectively; any dissatisfaction could lead to noncompliance, jeopardising the government's capacity to deliver services to its citizens. Providing high-quality taxpayer services can also foster strong, long-term business relationships between large corporations and the tax authority, thereby positively affecting voluntary tax compliance over time. With these insights, tax authorities and policymakers must recognise that enhancing the quality of taxpayer services is likely to promote and improve tax compliance behaviours among large corporate entities in Tanzania.

Mutual Understanding and Tax Compliance

The current research posited that mutual understanding positively affects tax compliance among large corporate entities in Tanzania. The results indicated a weak, statistically insignificant negative relationship between mutual understanding and tax compliance among these large corporations in Tanzania. Therefore, the hypothesis that mutual understanding has a positive impact was rejected and remains unsupported. This outcome suggests that the tax compliance of large Tanzanian corporations may not be influenced by mutual understanding. This result contrasts with the Social Contract Theory, which proposes that tax authorities should exhibit mutual respect and trust towards taxpayers (Gangl et al., 2013; Kirchler et al., 2008; Alm & Torgler, 2011). Nevertheless, these results are consistent with the study of Akhand and Hubbard (2016) in Bangladesh, where large taxpayer's tax compliance was not influenced by mutual understanding. These consistent findings may suggest that coercive systems in developing countries drive more tax compliance and that institutional trust remains low, thereby hindering cooperative strategies (Kirchler, 2007).

Yet the link between mutual understanding and tax compliance has received limited attention, even though it is thought to influence tax compliance, particularly among large taxpayers. The lack of significant findings could be attributable to how the construct was measured, which may not accurately reflect the tax compliance context. There is no consensus on the indicators to evaluate mutual understanding within the realm of tax compliance. Therefore, the findings of this study suggest that there is a need to create indicators specifically designed to measure mutual understanding in the context of tax compliance, rather than relying on those from other fields.

Conversely, the limited effect of mutual understanding could be linked to various factors. Firstly, large corporations often deal with highly intricate tax matters, such as cross-border transactions, transfer pricing, and international tax regulations. While mutual understanding may play a role in simpler tax situations, it may be less significant in more complex and technical tax scenarios. In these cases, large corporate taxpayers are likely to rely on specialised knowledge and formal procedures rather than on fostering a collaborative relationship with the tax authorities. As a result, it is unlikely that mutual understanding will motivate large corporations to adhere to tax regulations.

Secondly, concerns about trust in tax authorities are prevalent. In many tax systems, it is challenging to place confidence in the tax authorities. In Tanzania, companies have reported a low degree of trust in these authorities (Asri et al., 2025). This scepticism may stem from the potential for information shared in good faith to lead to significant tax obligations. The pressure on the TRA to achieve revenue collection goals is intense, especially considering the limited tax base of the Tanzanian economy (NAO, 2025); thus, any information provided to the TRA may be used in a punitive manner. As a result, even when there is a mutual understanding, large corporations may still have concerns about the fairness of tax authorities in their dealings.

Conclusions and Recommendations

Due to limited empirical substantiation of the cooperative approach, the study findings provide empirical evidence on the applicability of the cooperative approach framework on large corporate taxpayers in Tanzania. Although with minimal explanatory and predictive power, quality taxpayer service was found to significantly positively influence tax compliance among large corporate taxpayers, while mutual understanding had an insignificant influence on their tax compliance. Theoretically, this study tests the applicability of the Social Contract Theory to large corporations, thereby addressing the knowledge gap. The findings indicate that, to some extent, psychological factors may influence the tax compliance of large corporate entities in Tanzania; however, the lack of mutual understanding challenges a cooperative approach. The low R^2 suggests that the model explains very little of the variance in tax compliance among large corporate taxpayers. This suggests that tax compliance among large corporate taxpayers is influenced by additional factors beyond shared norms and alignment on cooperation as key drivers of compliance. This underpins the complexity of tax compliance behaviour, especially of large corporate taxpayers, while acknowledging taxpayer heterogeneity. This implies that the real drivers of tax compliance among large corporate entities in Tanzania may be found in other frameworks, such as deterrent frameworks, rather than in the Social Contract Theory. Therefore, the reconceptualisation of the Social Contract Theory in the context of large corporate taxpayers is essential, incorporating institutional and organisational aspects.

For practitioners and policymakers, our findings question the overemphasis on a cooperative approach to influencing tax compliance among large corporate taxpayers in Tanzania. Implicitly, the focus may be on examining other measures that could trigger tax compliance among large corporate taxpayers in Tanzania, rather than on cooperative measures. However, when focusing on other drivers, quality taxpayer services may still be upheld, given the fact that, though it explains a small magnitude, it has a positive and significant influence; hence, strategies to improve the quality of taxpayers' services may increase the level of compliance among large corporate entities, which is perceived to be low. Therefore, the TRA provision of services, including tax officers being ready to help taxpayers, well-established systems, proper record keeping, etc., should be improved to stimulate tax compliance among this group of taxpayers.

Although this study provides valuable insights, certain limitations warrant further research. First, this study considered only cooperative approach measures, which had low explanatory and predictive power; hence, future research should integrate the deterrent measures in the framework. Second, the study used a quantitative approach; future research should consider a qualitative approach to develop measurement indicators for mutual understanding in a tax environment, while also explaining the "mutual understanding paradox". Third, this study employed a cross-sectional approach, which does not capture the long-term effects of mutual understanding on tax compliance; future studies should consider this, as their effects may be long-term rather than short-term.

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