In the last twenty years, the reasons why taxpayers evade taxes has become a frequent subject of research in many fields of science including economy, sociology, social psychology, criminology, or law. Tax evasion is a universal phenomenon and it entails many negative consequences such as *inter alia* reduced budget revenues, infringed principles of fair taxation, unequal competition conditions, limited access to justice, increased crime and the like. On the other hand, despite such negative assessment of the phenomenon, it must be noted that tax evasion is often a reaction to the actions of the state that imposes excessive taxes, or creates a taxation system that generates additional costs which burden the taxpayers.

The problem is far reaching and its extent is reflected in international statistics showing the scale of shadow economy in individual countries all over the world. This phenomenon cannot be neglected despite the fact that shadow economy has been recently on the decline in many west European countries.


The numerous studies carried out on tax evasion frequently emphasise the reasons why taxpayers fail to comply with tax obligation and fulfil their duties. A thorough understanding of those reasons may facilitate the development of a state policy that will help to reduce the scale of this problem.

The reasons for, or factors that play a role in deciding on tax evasion, may be divided into economic, social and demographical. The starting
point of an analysis why taxpayers fail to comply with tax obligations should be a reflection on how their attitudes to tax obligation in general have developed over years.

**KEY ELEMENTS FORMING TAXPAYER’S ATTITUDES TOWARDS THE TAX OBLIGATION**

According to the definition currently used in psychology, an attitude is "a set of inter-related constant elements that allow evaluation of the object towards which an attitude is formed (i.e. evaluation resulting from the emotional relation), convictions as to nature of the object, and the conduct towards that object in a reasonably stable manner". Hence, taxpayers' attitudes towards the tax obligation (as well as people's attitudes towards other objects) are influenced by three factors – rational, emotional and behavioural. Such typology of elements of human attitudes has been accepted in social psychology and it explains well the motivations that govern people in different spheres of life.

The rational element of attitude means either a positive or a negative evaluation of the object towards which one has an attitude that follows a logical analysis. And so, for example, taxpayers compare the amounts they pay in taxes with the benefits they receive in return from the state and on that basis decide whether they will pay because they are justified or not.

The emotional element of attitude is related to the emotions that accompany the process of paying a tax, which may be either negative feelings (such as eg. anger or a sense of losing something) or positive (a feeling of a fulfilment of a fair duty).

The behavioral element is connected with the already set former behavior of a taxpayer – if he duly paid taxes in the past, the likelihood that he will fulfill the tax obligation in the future is much stronger, and *vice versa*, if he continually evaded paying taxes in the past, the probability that he will once again try to evade the obligation is rather high.

If the above three elements of the attitude are in concord (i.e. if in the taxpayer's rationalised opinion paying taxes is a justified obligation, his emotional attitude to the tax obligation is positive, or at least not negative, and if, further, he is used to meeting the tax obligation and paying taxes (regularly), such taxpayer's attitude is consistent. Hence, it is highly probable that he will also fulfil the tax obligation in the future. If, however, even only one of the three elements differs from the remaining two, eg. the taxpayer feels he suffers a considerable loss or he is critical about the ways in which the state functions, there is a good chance that the other two elements will also change, since the

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inconsistency between them will create a tension which the taxpayer will try to eliminate.

Understanding the psychological aspects of taxpayers' behaviour may be a starting point for a better understanding of the reasons or motives of such conduct, and may be consequently used to shape the taxpayers' attitudes in order to make them most desirable from the state's point of view. A better tax compliance may only be achieved if all the three elements that constitute the taxpayers' attitudes to the tax obligation are taken into consideration and the reasons why taxpayers evade taxes are better understood.

**ECONOMIC REASONS FOR TAX EVASION**

The economic reasons most often quoted in literature why taxpayers evade taxes are the rate, or amount, of the tax burdens, the penalties, or the sanctions which are administered in the event of a failure to pay the taxes due, as well as the probability of the detection of a tax fraud. If we assume that a taxpayer is fully aware of the tax dues that he is bound to pay and is also aware of the probability that his non-compliance may be detected, or has full knowledge of the amounts of penalties he may then have to pay, and, what is more, is also convinced that his attitude or conduct is of no influence on his sense of duty or on such emotions as greed or fear, the list of reasons why taxpayers evade paying taxes might be reduced to the three basic economic ones. Consequently, a taxpayer would simply calculate the profitability of his fraudulent conduct and discount the amount of the anticipated sanction by the probability of the detection of his fraud, and he will compare the result with the amount of his tax obligation.

This, however, is not the case. First of all, the taxpayers who decide on paying or not-paying the tax due are not really fully aware of the probability that their tax evasion will be detected, or the level of the penalty they will have to pay. What is more, they frequently do not even know how much cash in tax they are really to pay. First of all, their understanding of the efficiency of the tax administration is based on their own experience and media reports. Secondly, the decision to evade taxes is influenced by so called tax morality and the emotions that accompany the tax settlement processes as well as the demographic factors such as the age, sex, place of residence, education, religiousness and the like.

The results of surveys confirm that despite the complexity of the factors that influence taxpayers' attitudes, the level of the tax obligation and the probability of fraud detection are of primary importance⁴. It is also noteworthy that an important factor in shaping

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taxpayers' attitudes, apart from the tax rate itself, is the cost related to meeting the tax obligation (compliance cost), which usually increases (in proportion to the tax paid) the smaller the scale of business of an individual taxpayer\(^3\). The financial costs and time required to settle the tax obligation are often so onerous that taxpayers see them as an unjustified burden, which may, in turn, contribute to the shaping of their negative tax attitudes. Further, the complexity of tax procedures causes negative emotions which may, in consequence, trigger off a change in the other elements of a taxpayer's attitude.

The discussion going on in literature concerns the sanctions for tax evasion and how they influence the taxpayers' behaviour. Although the results of some surveys suggests an interdependence between the two, most authors are of the opinion that such interdependence has not, as yet, been proved\(^4\).

**SOCIAL REASONS FOR TAX EVASION**

Another group of reasons for tax evasion, next to economic reasons, are social reasons. The sense of justice and a convictions that it is a citizen's duty to pay taxes are two factors that must not be underestimated. It is enough to look at some states where tax burdens are very high (eg. in Scandinavia) and yet the tax compliance among their citizens is much higher than that revealed by citizens in states with average taxes. What is more, as surveys show, taxpayers in the former ones express approving opinions of the fiscal policy of their respective states.

The sense of a tax obligation that arises from non-economic reasons is called in literature a 'tax morality'\(^5\). According to Gomułowicz 'tax morality' is the "inner acceptance, or a lack thereof, of a tax

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\(^3\) Evans C., A Report into the Incremental Costs of Taxpayer Compliance, Australian Governmental Publishing Service 1996


\(^5\) Gomułowicz A., Mentalność i moralność podatkowa., Glosa 1995 No. 3 p. 1; Gomułowicz A., Moralność podatkowa - uwarunkowania i zasadnicze dylematy, Ex iniuria non oritur ius : księga ku czci profesora Wojciecha Łączkowskiego 2003 p. 365
obligation and a recognition of tax authority of the state\textsuperscript{6}. The level of acceptance of a tax obligation among the taxpayers is influenced by the perceived by them a just of the very tax system. The literature on tax avoidance and tax evasion\textsuperscript{7} quotes five dimensions of the concept of tax justice:

- **distributive justice** – understood by a taxpayer as tax burden, but related to received benefits,

- **horizontal justice** – understood as the ratio between the tax rate applicable to a given taxpayer (or a social group to which he belongs) and the tax rate applicable to other taxpayers in a similar economic situation (or other specified social groups) of a similar ability to pay,

- **vertical justice** – understood as the ratio of tax burdens of a given taxpayer to tax burdens of other taxpayers with other (higher or lower) ability to pay.

- **procedural justice** – understood as a proper fair treatment of taxpayers in the tax law making and the application of tax legislation

- **retributive justice** – understood as a proper application of sanctions\textsuperscript{8}.

A distortion of the perception of justice in any of the above dimensions may result in the lowering of tax compliance despite the fact that each of those dimensions influences taxpayers' attitudes differently.

The influence of the perception of justice on taxpayers' attitudes has been confirmed in a number of surveys\textsuperscript{9}, although in the case of vertical justice the obtained results are not unambiguous\textsuperscript{10}.

\textsuperscript{6} Gomułowicz A., Malecki J., Podatki i prawo podatkowe, Warszawa 2002, p. 222

\textsuperscript{7} Wenzel M., Tax Compliance and the Psychology of Justice: Mapping the Field, Taxing Democracy - Understanding Tax Avoidance and Evasion, Burlington 2003, p. 44

\textsuperscript{8} Wenzel M., Tax Compliance and the Psychology of Justice: Mapping the Field, Taxing Democracy - Understanding Tax Avoidance and Evasion, Burlington 2003, p. 41

DEMOGRAPHIC REASONS FOR TAX EVASION

Apart from the economic or social factors, taxpayers’ attitudes are also subject to influence of demographic factors, including such as age, sex, education, race, number of children, residence, income level, political views, level of moral development, place of residence, religiousness, familiarity with the tax system, identification with one's social group and with the society as a whole. Based on a number of studies, the following inter-relations may be noted:

- younger taxpayers display a lower level of tax compliance and are more likely to evade paying taxes than older taxpayers;
- taxpayers characterised by a higher level of moral development are more compliant;
- men evade paying taxes more frequently than women do;
- the level of general education has an overall negative influence on the tax compliance level but familiarity with the tax system and tax laws is positively conducive;
- religious persons avoid paying taxes less often, although the level of tax morality varies depending on the religious denomination followed.

[References]

10 Wenzel M., Tax Compliance and the Psychology of Justice: Mapping the Field, Taxing Democracy - Understanding Tax Avoidance and Evasion, Burlington 2003, p. 41


14 Fallon L., Gender, Exposure to Tax Knowledge, and Attitudes Towards Taxation: An Experimental Approach, Journal of Business Ethic 1999 No. 18 p. 173


16 Fallon L., Gender, Exposure to Tax Knowledge, and Attitudes Towards Taxation: An Experimental Approach, Journal of Business Ethic 1999 No. 18 p. 173
Apart from the above mentioned factors, other factors mentioned in research results include such variables as the legal form of a given business, its size, type of revenue, ethnical origin, marital status, personal situation, customary behaviour, income level, or the profession or trade performed.

SUMMARY

Studies on the reasons for tax evasion have been going on, and have been since then gradually intensified, since the 80ies of the 20th century. In-depth knowledge of the reasons behind taxpayers' decisions not to pay taxes may be a starting point for constructing on 'intelligent' tax policy through which a state may achieve a higher level of tax morality amongst its taxpayers.

The elements of such a policy may consist not only in the classic game between a taxpayer focused on hiding some of his income from the state on then one hand, and state tax bodies attempting to detect tax frauds on the other hand. A coherent and integrated strategy covering the following four areas of state activity should help to increase the tax compliance among tax payers:

- the making of tax law,
- the application of tax laws,
- management in tax administration,
- education and social communication

From among many means available for the shaping of a state's tax policy which may be used to influence directly or indirectly the phenomenon of tax evasion, those mentioned below are just a few. They include:

- lowering of the ratio of public spending in relation to the GDP,
- reduction of tax rates and burdens,
- reduction of tax rates in those taxes in which the rate ensuring optimal tax revenues has been exceeded,
- spreading the payment of taxes over time,
- distribution of tax burdens on a maximal number of taxpayers,

\[17\] Alm J. and Torgler B., Culture Differences and Tax Morale in the United States and in Europe, Journal of Economic Psychology 2006 No. 27 p. 224
• tax collection by PAYE (pay as you earn) system,
• promotion of indirect taxes,
• flat taxation of income,
• educational campaigns,
• reforms of the law making system,
• elimination of tax reliefs and tax privileges,
• development of the methodology of the evaluation of economic consequences of new tax regulation,
• simplification of the forms of taxation,
• elimination of non-fiscal functions of taxation,
• higher efficiency of tax control,
• better quality of the functioning of the fiscal authorities, including communication with taxpayers - possible to implement owing to modern management tools in public administration,
• media campaigns that influence the level of tax morality,
• optimisation of the quality of public goods,
• elimination of legal provisions that are commonly breached

The above mentioned measures belong to only some of the many more methods that a state may choose from to influence the attitudes of taxpayers. It is nevertheless worthwhile to remember that the most efficient tool to increase tax compliance is maintaining tax rates at a moderate level, improving at the same time the quality of functioning of the state and public administration. All other measures implemented to increase tax compliance may fail when taxpayers decide that tax rates are excessive and the state fails to properly function.

Literature:
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