

The Culture of Taxation: Definition and Conceptual Approaches for Tax Administration

Pakarang Chuenjit¹

Abstract

A problem of tax administration in many countries is that governments cannot collect all the taxes that are owed to them under the statutes. It is argued here that one primary reason for this is the "culture of taxation". The primary objective of this paper is to synthesize the concept of the culture of taxation and the approaches used to study it. Previous literature in the area of tax compliance, tax evasion, tax administration and tax reforms are examined from the viewpoint of both taxpayers and tax collectors. The results based on this literature show that differences in the culture of taxation bring about different tax collection outcomes.

Keywords

Tax culture; culture of taxation; tax administration; tax policy

Introduction

The term "culture of taxation" appears only rarely in social science literature although, as argued here, it plays an important role in tax systems. The meaning of culture of taxation is still debatable and not well organized conceptually (Hyun, 2005); however, it is closely related to other tax terms such as tax avoidance, tax evasion, tax compliance, and tax morale. Culture, in this article, means the way of life of people including their actual sets of ideas, beliefs, values and behaviors in society. Therefore, all phenomena resulting from the relationship between players in the tax system, both taxpayers and tax collectors, constitute the culture of taxation. This can be seen in the form of symbols, signs and tax policies that make up the tax system. Specifically, tax compliance, tax avoidance and tax evasion are a subset of the culture of taxation.

While one objective of this article is to synthesize the concepts involved in the culture of taxation, the second is to discover the patterns of tax culture and their consequences on total income tax revenue. Culture of taxation is a crucial factor indicating the success of tax organization and organizational direction as well because it affects the way people and groups in the tax system interact with each other. It also establishes a set of roles associated with each identity. Without addressing the culture of taxation, many goals of fundamental tax collection cannot be accomplished successfully (Tanzi, 1999; Martinez-Vazquez & McNab, 2000; Sinkuniene, 2005; Job, Stout & Smith, 2007).

Although total tax revenues need to be increased in order to fund the public provision of goods and services, governments in many countries are faced with the same problem – a

¹ Faculty of Political Science, Chulalongkorn University, Thailand. Email: pagarang.ch@gmail.com

low level of tax revenue especially income tax revenue. It is hypothesized that the culture of taxation has a direct effect on total income tax revenue as it involves the compliant behavior of taxpayers. Income taxes, both personal and corporate, are major sources of revenue for many national governments, especially in developing countries. The problem of insufficient tax revenue will occur naturally when tax authorities cannot collect taxes from taxable payers. Therefore, previous studies of taxation mainly focus on the nature of tax compliance. This study emphasizes the two principal players in any tax system, taxpayers and tax collectors. To accomplish the goals of this study, the culture of taxation is explained in multiple aspects.

The following section provides a presentation of the approaches and methods used in previous work on the culture of taxation in order to highlight the patterns of tax culture. The main culture and subculture of both groups, as well as the consequences from relationships between those two, are exemplified in this section. The final section summarizes the findings and gives suggestions for further research.

Defining the term “Culture of Taxation”

“Culture of taxation” cannot be described without having a clear understanding of the term “culture”. In this section, the ways that the term culture has been used will be provided as a basis for further understanding and defining the culture of taxation.

The sense of culture

The concept of culture has taken on a wide variety of meanings, which creates major challenges for its study. E.B. Tylor (1871) was probably the first person who provided the modern technical meaning of culture: “Culture, or civilization, ... is that complex whole which includes knowledge, belief, art, law, morals, custom, and any other capabilities and habits acquired by man as a member of society” (p. 1). Since then, the culture concept has been used extensively in many fields, particularly anthropology, sociology, and psychology. Many works try to identify the meaning of culture and find that culture has been used in many ways: for instance, as structural, as genetic and as product (Kroeber & Kluckhohn, 1952; Baldwin, Faulkner, Hecht & Lindsey, 2006). Without going into all definitions of culture, the following are the principal ways in which culture has been defined.

The most fundamental meaning of culture results from the functionalist perspective. Under this perspective, culture is seen as a system of shared ideas, knowledge, and beliefs between individuals (Vijay, 1983). It is a realm of ideas, the intellectual, the spiritual, a patterned sphere of beliefs, value, symbols, signs, and the non-material aspects of an individual, groups or society. At the organizational level, culture is an attribute of the organization, typically defined as values or attitude (Majken, 1995). All kinds of ideas that make up the culture concept seem to be standards for deciding what to do, what can be done, and how to go about doing it. In brief, culture is everything that individuals collectively “think and have in their mind” as a member of organization or society. Moreover, culture is an idea or concept that probably affects the entire way of life (William, 1961).

Another view of culture is based on what is directly observable about the members of communities. Culture is recognized as a behavior system and also a code that people can learn and share through patterns of meaning embodied in symbols, premises and rules. Hall

and Hall (1990) called culture “a program for behavior”. Many patterns of behavior, of both individuals and groups, are consequences of ideas, attitudes, trust, beliefs, and expectations. Culture establishes a set of roles and a set of role expectations associated with each identity. It is acquired from other individuals through social transmission mechanisms such as teaching, learning, and imitation and affects the way people and groups interact with each other. According to this perspective, culture is the complex of behavior that individuals “do or make” as members of a group, organization, or society.

From these perspectives, culture is not static; instead it is dynamic and can adapt to reality spontaneously. It is a phenomenon that can be changed dynamically over time and space (Skelton & Allen, 1999), influenced by economics, political forces, and geographic changes. In short, culture shifts in response to external and internal changes (Watkins, 2013) and this situation depends on the interaction between individuals, members of groups, and society. As a result, culture has a powerful and complex relationship to practices and performance as well.

However, culture does not exist only in society, but also in many organizations. From the stance of an organization, the commonly held values and beliefs of individuals within the organization are also called culture, specifically organizational culture (Ott, 1989). Each organization also has its own culture that might be a guideline for members of the organization about what is appropriate and inappropriate in the organization. In other words, culture is to an organization what personality is to an individual.

Organizational culture also plays a crucial role in shaping many behaviors in an organization. The observable patterns of behavior, the repeated behaviors or habits, in an organization are part of organizational culture. As Will Durant (1926) stated, “We are what we repeatedly do” (p. 98)²; we might conclude that culture is how organizations do things.

In conclusion, culture in each society and organization is mobile, and is derived from a complex relationship between everyone in a society and organization; it includes what those individuals “think” (i.e. ideas, knowledge, attitudes, beliefs, values, expectations) and “do” (i.e. their behaviors and habits) as a member of a society or organization. According to this sense of culture, when we describe the culture of taxation it might involve the way that people think and do things around the tax environment as well as the relationship between individuals and groups in the tax system.

A specific type of culture: The culture of taxation

The term “culture of taxation” is not used frequently in the social science literature and the terminology of the culture of taxation is still debatable (Hyun, 2005). This study will conceptualize the culture of taxation as an informal institution linked to the tax system.

Nerre (2001) is believed to have offered the first formal definition of the culture of taxation:

A country-specific tax culture is the entirety of all relevant formal and informal institutions connected with the national tax system and its practical execution, which

² This is a summary of Aristotle’s philosophy (from *The Nicomachean Ethics*) (Durant, 1926).

are historically embedded within the country's culture, including the dependencies and ties caused by their ongoing interaction. (p. 8)

Since that time, culture of taxation has been used as a determinant of the success of tax reform in many countries (Sinkuniene, 2005; Jairaj & Harriss-White, 2006; Atuguba, 2006). Jairaj and Harriss-White (2006) noted that there is a linkage between tax culture itself and the formal rules of taxation, the derivation of taxation, and the role of social structures of identity, in order to create and implement regulative relationships between tax authorities and taxpayers. A similar point of view was expressed by Sinkuniene (2005) who summarized the concept of tax culture as a part of national culture. Tax culture is influenced by internal and external surroundings and is reflected in tax principles and tools.

Based on recent definitions, the culture of taxation is a relationship between taxpayers and tax collectors in a tax system. This brings about a certain question: what is the unit of analysis for the culture of taxation? It involves two principal players in the tax system, both taxpayers and tax collectors. The existent enforcement and the relationship between taxpayers and tax authorities gives rise to the culture of taxation in each country. Nerre (2001) also remarked in his article that:

From the viewpoint of the "taxes" not only the tax system and the actual tax practice form part of a country's "tax culture", but also the relationship between the tax authorities and the taxpayers accounts for the unique "tax culture" of a country. (p. 6)

As mentioned before, one sense of culture is everything that individuals, groups or organization "think", so the first notion of the culture of taxation here might involve what people think about a tax. The culture of taxation is also perceived as "tax consciousness" among taxpayers and tax collectors as well (Tanzi, 1999). One understanding of tax culture as tax consciousness relates to the perception of taxpayers toward the tax system with the question: why should people have to pay taxes? From the stance of tax collectors, tax consciousness is attitudes and incentives of the members in the tax organization embodied in the tax organization structure. It also includes the relationships between taxpayers and tax collectors.

The values and attitudes of people in a society or in an organization, both positive and negative, toward the tax system are part of the culture of taxation. For example, some people might believe that paying taxes is a responsibility that should be willingly accepted, whereas others might feel that tax cheating does not matter. Those perceptions might create different postures among actors in the tax system. Positive values and attitudes toward the tax system might bring about a positive outcome of tax collection. We might also call ideas or beliefs that shape an expected taxpayer's behavior as "tax morale". Tax morale is the intrinsic motivation of individuals to pay taxes.

Trust is another concept related to the culture of taxation. It is a higher level concept than beliefs and attitudes because trust has a sense of linkages with other things. Trust results from a perception of fairness: for instance, taxpayers will have more trust in tax collectors who treat them with fairness and a respectful manner. In addition, trust might involve expectations. If taxpayers expect that their taxes will be spent on public programs which allow the government to provide sufficient services to taxpayers, taxpayers are more likely to trust the government and the tax system. More trust in the government, the tax administration and the legal system tends to increase individuals' willingness to contribute

with their taxes (Hyun, 2005; Torgler, 2007). In previous literature, trust is examined as one determinant of the culture of taxation (Murphy, 2004; Hartner, Rechberger, Kirchler & Schabmann, 2008). Hyun (2005) also noted that the public attitude toward government in a broad sense affects the culture of taxation.

From the side of tax collectors, the culture issue is about power. How do tax collectors use their power and authority to deal with a taxpayer? Do they allow taxpayers to make their own decisions on their tax liability? Or do they make a bill of tax liability to taxpayers by themselves without any chance for taxpayers to make their own decision? If tax collectors feel that they have more power than taxpayers, the posture of tax collectors is likely to dominate the taxpayer.

Another sense of culture is whatever people “do” as a member of society as well as a member of an organization. In this context, the focus is on the behavior of the actors in a tax system. The first kind of behavior is the behavior of taxpayers and tax collectors as individuals. The behavior of taxpayers is mainly about their own decision to pay taxes, including tax compliance, tax avoidance and tax evasion. Tax collectors’ behavior is the way that they treat taxpayers, e.g. enforcing tax laws intensively as a tax boss or helping taxpayers comply with their tax obligations as a tax advisor. Many scholars noted that the culture of taxation can be used to explain various tax behaviors (Hyun, 2005; Alm & Torgler, 2006; Richardson, 2008). For example, Hyun (2005) used the World Value Survey data as a tool to compare tax culture between Korea and Japan. The attitude toward cheating on taxes, a determinant of tax culture, was measured on ten different scales. The different level of tax culture results in the difference in tax compliance between Korea and Japan. Alm and Torgler (2006) also used the same methodology and data source to find out whether the difference in tax morale level between the United States and Europe brings about dissimilar behavior among taxpayers. Their results showed that the countries that have a lower degree of tax morale also generally have a larger shadow economy. In summary, the difference in the culture of taxation in each region and country may result in dissimilarity in tax behaviors.

Another kind of behavior is the ongoing relationship between actors in the tax system. Taylor (2003) stated that the actions of taxpayers are not stable but are fluid and result from how one defines oneself in relation to the tax collectors, the tax system and other groups of taxpayers. From this viewpoint, the culture of taxation can be explained as class and time (Xiaoyan, 2008). As taxation involves an allocation of interests between groups, it has a sense of class. Moreover, the culture of taxation may change over time when the needs of society in each period change in order to maintain the tax system. As culture can be acquired from other individuals via social transmission mechanisms such as learning and imitation, the way people or organizations act will change as the tax environment changes. In a country where the government does not try to promote the image of voluntary tax compliance, the citizens may not be concerned about paying taxes and thus this can lead to tax non-compliance.

The relationship between taxpayers and tax collectors is an interaction. What the taxpayers have done can affect the posture and actions of tax collectors. In the same way, the behavior of tax collectors has an effect on taxpayers’ attitudes and actions. The more tax collectors treat taxpayers fairly, the more trust and compliance toward tax authorities. In summary, the culture of taxation includes all patterns of behavior which the taxpayers and tax collectors hold against the tax system and the state. These ideas are illustrated graphically in

Figure 1. It shows that the culture of taxation encompasses both taxpayers and tax collectors with the beliefs as well as the actions of each group affected by the other.

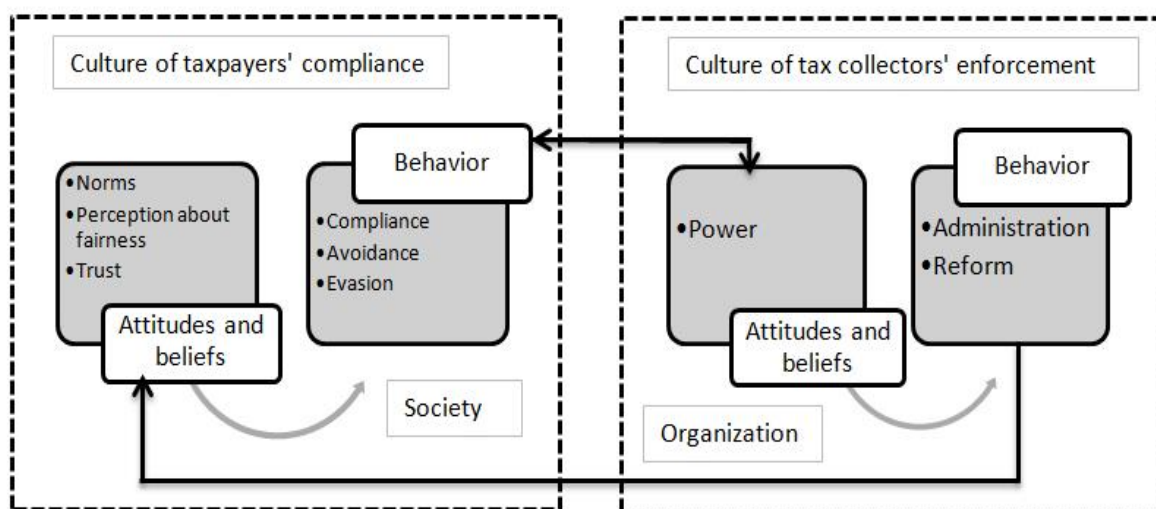


Figure 1: Defining the “Culture of Taxation”

Ultimately, the notion of “culture of taxation” here is a phenomenon that refers to the values, expectations, and behaviors which have been embedded in the relationship between taxpayers and tax collectors. The culture of taxation can be observed and investigated in its patterns of relationships through symbols, signs and the actions of players in the tax system.

Approaches to study the “Culture of Taxation”: a composition and circumstance

In this section, an approach to study the culture of taxation from the perspective of the two main actors will be provided. The first part identifies themes used in taxpayer culture research, while previous works on tax collector culture are examined in the following part. An overall summary of previous studies on the culture of taxation is shown in Table 1.

(a) Approaches to studying taxpayer culture: The compliant culture

Governments cannot collect all the taxes that are owed to them under tax statutes, and this is an important problem in many countries. This problem implies a low level of voluntary compliance. Consequently, most previous research is concerned with the issue of tax compliance behavior. The patterns of taxpayer culture can mainly be seen in three different types of behavior: tax compliance, tax avoidance, and tax evasion. Tax compliance is the most desired behavior in all countries as taxpayer compliance with tax laws results in higher revenues. Tax avoidance describes legal attempts to reduce the amount of tax that is payable. And tax evasion refers to the illegal acts of taxpayers to decrease their tax liabilities through some form of fraud. The principal question that would shed light on these phenomena is “Why do people pay taxes?”

Table 1: Approaches and methods to study the culture of taxation

Unit of analysis	Variable		Time period	Comparative study			Case study		Level of analysis	Findings	Examples	
	Culture of taxation as	Proxy variable		Between units	Within unit	Model	Survey & secondary data	Experiment				
Taxpayer	Dependent variable	An incentive to pay tax	Since 1940s			●		●	Individual	1. Tax evasion decreases with greater probability of detection and higher degree of punishment 2. Positive incentives have a significant and positive impact on tax compliance	Allingham & Sandmo (1972); Slemrod (1985); Cowell & Gordon (1988)	
		Norms and ethics	Since 1990s	●	●	●	●		Individual/ Country	1. Tax morale is different in many areas 2. Tax morale has an effect on compliant behavior and economic structure 3. Greater tax morale, greater compliance	Torgler (2007); Bobek, Roberts & Sweeney (2007)	
		The perception of taxpayers toward tax system	Since 1970s	●		●	●			Individual/ Country	1. Perceptions about fairness and justice are different in many areas 2. High degree of perceived fairness is associated with a high degree of compliance	Song & Yarbrough (1978); Wenzel (2003); Hartner, Rechberger, Kirchler & Schabmann (2008)
		Rights and Participation	Since 2000s		●		●	●		Individual	Greater political participation rights are associated with a greater degree of tax morale and compliance	Feld & Frey (2002); Feld & Tyran (2002); Torgler (2007)
		Socio-demography	Since 2000s		●		●	●		Individual/ Country	Socio-demographic characteristics of taxpayers result in differences in culture of taxation	Spicer & Becker (1980), Torgler (2007)
Tax collector	Dependent variable	Law and policy	Since 1980s				●		Organization	Higher complexity of tax law and tax system results in a lower rate of tax compliance	Gale & Holtzblatt (2002); Torgler (2003)	
		Organizational structure	Since 2000s				●		Organization	Tax offices with a decentralized organizational structure with respect to decision making power may encourage taxpayers to comply	Braithwaite (2003); Guth, Levati & Sausgruber (2005)	
		Quality of institution	Since 2000s				●		Individual/ Organization	1. Corruption in tax administration brings about net revenue loss and unanticipated outcomes of intensified tax effort 2. People have a willingness to pay taxes when they perceive benefits from public goods funded by taxes	Peter (1991); Alm, Jackson & McKee (1992)	
	Independent variable	Tax reform	Since 1990s	●					Organization	1. Culture of taxation influences the success of tax reform in both positive and negative ways	Gold (1988); Job, Scout & Smith (2007)	

The culture of taxpayer compliance has been investigated as a dependent variable. The literature on taxpayer culture is largely rooted in five conceptualizations: (1) the incentive to pay taxes, both negatively and positively; (2) ethics and norms of taxpayers; (3) perceptions of taxpayers toward government including perceptions of trust and of fairness; (4) rights and participation of taxpayers; and (5) the socio-demographic characteristics of taxpayers e.g. age, sex, religion, education, and so forth.

(a.1) The incentive to pay taxes

The incentive to pay taxes is the first central theme of taxpayers' behavior. The approach of early studies relied on economic models based on utility theory, with secondary data used for empirical analysis. In economic models, tax evasion was seen as a gamble. Taxpayers were seen as making a rational decision under uncertainty between evading taxes (with some probability of detection and sanctions) versus paying taxes honestly without sanctions. The first model of tax compliance by Allingham and Sandmo (1972) was applied to the economics of criminal activities. The model was built to examine some static and dynamic aspects of the decision to evade income tax, under the condition where fines are paid on undeclared incomes. The subsequent model of Yitzhaki (1974) explained taxpayers' decisions to evade taxes with a different penalty structure; specifically, fines are levied on evaded taxes. The results of both models indicated that the extent of tax evasion decreases with the probability of detection and a high degree of punishment. In addition, taxpayers' perception of the probability of being audited strongly determines their degree of compliance. Even the standard models of negative incentives have a strong effect on taxpayers' behavior, however; its applicability appears limited since there is a high degree of tax compliance in many countries despite the fact that there are no strong punishments.

Positive incentives were introduced as another choice to increase the level of tax compliance. Nuttin and Greenwald (1968) maintained that positive behavior such as compliance can be better encouraged by positive incentives. The result from previous experiments (e.g. Smith, 1992; Alm, Jackson & McKee, 1992) showed that participants will have a willingness to comply when they perceived benefits from public goods funded by their taxes. Their argument was supported by many researchers such as Torgler (2003) and Bazart and Pickhardt (2011). The dominant approach to study the impacts of positive incentives on tax compliance behavior is a case study approach with an experimental design. However, Feld, Frey and Torgler (2007) suggested that using a field experiment might be a better method for governments in many countries because it is highly relevant to investigate specific strategies for each area.

Previous experiments on the impact of positive incentives were conducted to test the same argument, but with different procedures. The study of Alm, Jackson and McKee (1992a) and Bazart and Pickhardt (2011) selected university students as subjects. Participants were given different positive inducements: a lottery, a fixed reward, an audit reduction and a public good, in four sessions. The results showed that the most influential option on tax compliance is a lottery, followed by a fixed reward, a public good and an audit reduction, respectively. Bazart and Pickhardt (2011) conducted an experiment as a simulation of a tax system with university students from Germany and France. Participants were anonymous and played three blocks in six rounds of the simulated situation. Each participant was assigned to act as a taxpayer, institution or public goods calculator and play the first block with a normal situation, the second block with a lottery, and the third block with penalties. The results demonstrated that the lottery scheme has a strong and positive influence on tax compliance.

As Torgler (2006) noted, tax compliance experiments have been criticized for being conducted with students. Using university students as subjects can create bias because university students are not real taxpayers in the real world. Thus, Torgler did an experiment with 37 volunteer taxpayers in Arenal, Costa Rica. The experiment was conducted in one round with a post-experimental questionnaire that helped to measure additional control variables. Four treatments were made—with a control group, a fiscal exchange group, a moral suasion group and a positive rewards group— and were played with a random audit process. The results were analyzed with descriptive statistics and results showed that the highest degree of tax compliance was the positive rewards group.

A real positive incentive, exemption, was used as a variable in the study of Chan and Mo (2000). They also used a comparative approach within one country to investigate the effect of a tax holiday—one type of positive incentive—on foreign investors' tax non-compliance in China. Data from 589 tax audit cases on corporate tax non-compliance were collected from China tax bureaus for statistical analysis and then comparisons between six different types of company were made. The results illuminated that companies have a lesser degree of tax non-compliance while in a tax exemption period. Unquestionably, the findings from previous studies indicated that positive incentives have a significant and positive impact on tax compliance.

Nowadays, positive incentives are extensively used to build a better relationship between taxpayers and tax collectors. Tax offices in many countries have attempted to change the way they relate to taxpayers, not only through changing from a negative to a positive incentive strategy, but also restructuring to a “flat” organizational structure that better serves their customer base. As taxpayers feel they are treated respectfully, the attitude toward tax authorities will be more positive. More positive attitudes toward tax authorities and government should lead to taxpayers' greater compliance to pay their taxes voluntarily.

(a.2) Ethics and norms of taxpayers

The most recent significant factor investigated as an influence on compliant behavior is the ethics and norms of the taxpayer. This variable, also called “tax morale”, has been commonly used in psychological and sociological studies. Tax morale is an intrinsic motivation to pay taxes (Deci & Ryan, 1985; Frey, 1997; Torgler, 2007). Tax morale is also one aspect of the culture of taxation as it is an idea or feeling of individuals in the society. Morals, norms and ethics can be defined as a strong belief about what one ought or ought not to do. In the tax context, it means the belief with moral imperative that one should comply (Organization for Economic Co-operation and Development (OECD), 2010).

Previous studies in the ethics and norms literature have been conducted with many approaches. The comparative approach using data from secondary sources and surveys has been used extensively. Research has compared individuals within the same country as well as compared case studies from different countries. However, the single case study was also used to investigate the effect of tax morale on tax compliant behavior.

Many scholars examined the correlation between tax morale and its determinants and tax (non-) compliance (e.g. Frey, 2003; Trivedi, Shehata & Lynn, 2003; Belkaoui, 2004; Alm & Torgler, 2006; Bobek, Roberts & Sweeney, 2007; Torgler, 2007; Molero & Pujol, 2012). The work of Belkaoui (2004) examined whether tax morale and its determinants can be used to explain the phenomenon of tax compliance and tax non-compliance internationally. To find the answer, Belkaoui gathered empirical evidence to create a secondary data base from 30

countries using international statistics from five different sources; selection of the countries was determined by whether the necessary data was available for the variables of interest. He then analyzed the connection between tax morale and tax compliance by using regression and Pearson correlations, with tax compliance as the dependent variable and tax morale as the independent variable. Serious crimes per 100,000 inhabitants were used as the indicator of the level of tax morale in this study. The findings of empirical data from 30 countries indicated that international tax compliance is high in the countries where other types of serious crimes are also less prevalent.

Torgler, Demir, Macintyre and Schaffner (2008) examined the correlation between tax morale and tax evasion by comparing two case studies with the same research question, whether tax morale affects tax evasion. The first case used secondary data from an American data set called Taxpayer Opinion Survey (TOS); the second used primary data from a survey conducted in Turkey. Descriptive statistics were used to analyze the data. The results indicate that there is a significant correlation between tax morale and tax compliance.

In addition, tax morale was found to have consequences for government tax revenue. Alm and Torgler (2004) estimated the degree of tax morale and investigated its determinants using information from World Values Survey (WVS) from many countries. Cross-sectional data on individuals in Spain and the United States was then extended to examine 14 additional European countries. The survey question chosen to assess tax morale is "Cheating on tax if you have the chance" and tax morale was measured in cross-cultural comparison. The results indicated that individuals in the United States have the highest tax morale across all countries and they also find a strong negative correlation between the size of the shadow economy and the level of tax compliance. This finding implies that tax morale is different in many areas, and has an effect on economic structure which has relevance to the capability of tax collection.

(a.3) Perceptions of taxpayers toward the tax system and tax authorities

Perceptions of fairness and trust are argued by many researchers to be important drivers of compliance. Aspects of fairness and justice have been discussed since the 1970s, whereas the aspect of trust was examined since the 2000s. Fairness and trust are thus interlinked and the one cannot exist without the other (OECD, 2010). Once people perceive the tax system and tax authorities as fair, they will have more trust in those authorities. And this will increase tax compliance.

Most previous works on the fairness and trust issue were conducted with a case study approach as well as a comparative approach. The methods vary depending on the purpose of the study and the research questions; for example, some have tried to map a framework of fairness for further research through reviewing the literature from many countries while others used experiments, surveys and analysis of secondary data.

Perceptions of fairness have been shown to affect tax compliance. To examine the relationship between fiscal inequity and tax evasion, Spicer and Becker (1980) did an experiment with 57 students at the University of Colorado. It is hypothesized that the amount of taxes evaded will increase for victims of fiscal inequity but decrease for beneficiaries of fiscal inequity. In the experiment, subjects are faced with hypothetical tax evasion decisions after being told how their tax rate compares with the average rate. The results of the experiment showed that the amount of tax evaded increased among those

students who knew that their tax rate was higher than average; on the contrary, tax evasion decreased for those students who gained a benefit from fiscal inequity.

This conclusion was supported to some extent by the findings of Wenzel (2003), who investigated the role of justice perceptions on tax compliance. However, he cautioned that his study was limited because the issues of justice and fairness were often referred to “in a rather undifferentiated and/or selective manner” (p.44) by the empirical research on tax compliance. Therefore, Wenzel (2003) said that a theoretical framework is necessary as a guideline to investigate the role of fairness in taxpayer culture. He reviewed many studies from the psychology literature to make a case for consideration of justice issues at different levels of analysis. His findings demonstrated that there are three kinds of justice that seem to be potentially relevant to the phenomenon of tax compliance: distributive, procedural and retributive. Additionally, these operate at the individual level, group level and societal level. Distributive justice refers to the outcomes of a resource allocation or distribution. Procedural justice refers to the fairness of the process of a resource allocation. While distributive justice concerns decision outcomes, procedural justice pertains to the procedures of reaching the decision. The last type of justice is redistributive, which refers to the fairness of sanctions and reactions to the breaking of social rules and norms; it thus concerns morale rules. The central question of redistributive justices is what treatment and degree of sanction the rule-breaker deserves. In summary, the degree of tax compliance might rely on how people consider themselves and interpreted their situation relative to others; they might not pay taxes if they perceive unfairness.

Using the Wenzel framework, Hartner, Rechberger, Kirchler and Schabmann (2008) investigated a relationship between taxpayers’ treatment by tax authorities and non-compliance based on the group engagement model (Tyler & Blader, 2000), which is explicitly designed to explain why people cooperate. The study used secondary data from two surveys conducted with Australian citizens from the Australian electoral roll: the Community, Hopes, Fears, and Actions Survey (Braithwaite, 2001) and the Australian Tax System – Fair or Not Survey (Braithwaite and Reinhart, 2005). The data was summarized with descriptive statistics and used to test the causal structure of the group engagement model. The results showed a clear direct effect of procedural justice on tax compliance. When people feel treated in a fair manner by tax authorities and tax rules are comparable within their group, motivational postures of deference increase whereas motivational postures of defiance decrease.

The same conclusion was found in the work of McGee, Ho and Li. (2008). By using a comparative approach, they conducted a survey to discover whether distinct cultural, legal, or other factors may account for perceptions on tax evasion in dissimilar areas. A group of advanced undergraduate business students in Hong Kong and the United States were selected to explore their perception about 15 statements incorporating viewpoints on the ethics of tax evasion. The result found that tax evasion perceptions were different between countries; moreover, an unfair tax system, corruption of government and selfish motives may somewhat justify tax evasion.

Many studies have found compelling evidence that compliance also correlates with trust. Research implies that when taxpayers feel distrusted, they may adopt the same attitude toward the revenue body, and this may reduce compliance (OECD, 2010; Walsh, 2012). Bergman (2003) compared the effect of trust in government and the level of compliance in Chile and Argentina. He analyzed the effect based on secondary data from surveys in Chile (Mori, 1998) and Argentina (Administración Federal de Ingresos Públicos, 1997). He found

that trust in government has an effect on tax compliance behavior in Chile as the results from his analysis showed a statistically significant correlation between trust in public institutions and taxpayers' reported willingness to pay more tax.

Murphy (2004) also explored whether trust played a role in gaining voluntary compliance. She used regression analysis to analyze survey data collected from 2,292 taxpayers accused of tax avoidance. The results showed that trust in tax authorities influences tax compliance. A considerably low level of trust was found among tax avoiders, resulting from the perception of unfair treatment. This leads to the conclusion that if tax collectors treat taxpayers fairly, taxpayers will trust the motives of these authorities, and will defer to their decisions voluntarily.

(a.4) Rights and participation of taxpayers

The willingness of taxpayers to contribute to taxes depends on their participation in the tax process. Institutions that respect the preferences of citizens will have more support from those citizens (Torgler, 2007). In American history, the popular quote "no taxation without representation" was used toward British colonists and was one of the major motivations for the American Revolution. This quote implied that citizens must be consulted first before being taxed – not be taxed without having any say in the matter.

To examine the correlation between participation rights of taxpayers and tax compliance, Feld and Frey (2002) used the case study of Switzerland and compared regions within this country. The study investigated whether the treatment of taxpayers by tax authorities can be explained by political participation rights. They employed data on tax authorities' behavior from 26 cantons in Switzerland with cross-sectional estimates. Findings indicated that the more strongly political participation rights are developed, the greater the degree of tax morale, and accordingly greater tax compliance.

In a similar study, Feld and Tyran (2002) examined why people have higher compliance rates if they are allowed to vote directly on a fine to sanction tax evasion. They conducted an experiment using a one-shot tax evasion game, with undergraduate students as participants. Three treatments were given to participants: 1) subjects contribute to the collective good without being influenced by any fines; 2) subjects can decide on a fine; and 3) subjects are not allowed to vote on the fine. The results showed that tax compliance is higher on average when participants are allowed to approve or reject the proposal of a fine (as compared to the case where they were not allowed to vote). This experiment also supported the idea that if taxpayers have more rights and chance to participate in the tax process, they will have more willingness to pay their taxes, and this will result in more total income tax revenue.

(a.5) Socio-demography of taxpayers

The culture of tax compliance has also been studied as a single variable with socio-demographic characteristics of taxpayers such as age, gender, marital status, education, economic class, occupational status and financial satisfaction as explanatory variables. One aspect of taxpayer culture, tax morale, has been frequently examined. Torgler (2007) used the World Values Survey (WVS 1995-1997), which permits cross-country comparison of individuals' tax morale from representative national samples drawn from more than 40 societies around the world. He used weighted ordered probit estimation to analyze data from thirty-two countries. The survey question used to assess the level of tax morale was as follows:

Please tell me for the following statement whether you think it can always be justified, never be justified, or something in between: "Cheating on taxes if you have the chance". (Torgler, 2007: p.8)

Torgler examined the percentage who responded "never justified". Comparing by socio-demographic variables obtained mixed results, as follows:

- **Age:** Torgler's study showed that older people (age more than 65) have a higher degree of tax compliance than younger people. However, a few studies report a negative correlation between age and tax compliance (e.g. Spicer and Becker, 1980). Torgler (2007) suggested that more empirical evidence about the importance of the age variable is needed.
- **Gender:** The findings on different levels of tax morale by gender showed that women are more compliant than men. Evidence from the tax compliance literature supports this argument (e.g. Grasmick, Bursik & Cochran, 1991).
- **Marital status:** Marital status can influence lawful and unlawful actions (Tittle, 1980). Torgler found that married people living together are less compliant than other groups (divorced, separated, or widowed). The reason for this, in the case of United States, is that dual incomes are treated as one and thus are taxed at a higher rate than two separate incomes in the United States.
- **Education:** Education is related to taxpayers' knowledge about tax law. The results showed that the higher the education level, the higher the degree of tax non-compliance. The researcher remarked that this is because better educated taxpayers understand the opportunities for evasion more than lower educated taxpayers.
- **Economic class:** Taxpayers with higher income realize a greater money return by evading taxes, but possibly with less economic utility. On the other hand, lower income taxpayers do not tend to take the risk of evading taxes because of the high marginal utility loss. Several studies have examined the effect of income on tax compliance. While some showed that the middle income group has more compliance than those who are in the lower and higher income groups (Witte & Woodbury, 1985), others did not find a significant relationship between income and tax evasion (e.g. Friedland, Matital & Rutenbert, 1978)
- **Occupational status:** The occupational categories in the WVS survey are (1) full-time employed; (2) part-time employed; (3) self-employed; (4) unemployed; and (5) retired and other. The study found that self-employed taxpayers are more likely to evade taxes. This is because self-employed taxpayers have higher compliance costs and taxes become more visible (Lewis, 1982). Moreover, self-employed taxpayers have more opportunities to evade or avoid taxes.
- **Financial satisfaction:** The study used "stress" as a proxy variable to analyze financial satisfaction. The findings indicated that financial dissatisfaction might negatively influence tax morale. This is because the feeling of stress might create a sense of distress, especially when taxes have to be paid, and this creates a disincentive to tax compliance.

(b) Approaches to study tax collector culture: Enforcement culture

Governments collect taxes in order to fund public institutions and provide public services to their citizens; thus, tax revenue is the most important source of government resources. Previous literature on the culture of tax collectors and tax administration demonstrated that tax non-compliance behavior is directly involved with tax enforcement. Moreover, tax collector culture also results in the amount of total tax revenue of countries. To increase total tax revenue, governments in many countries tried to find effective strategies for tax collection. "What is the best way to encourage tax compliance?" is the basic question in this area.

The culture of tax administration was investigated as a variable in two ways. First, it was studied as a dependent variable. Three dependent variables were introduced: (1) tax law and policy; (2) organizational structure; and (3) quality of tax institutions. Second, it was examined as an independent variable, and a dependent variable in measuring the success of tax reform (Edling & Nguyen, 2006).

(b.1) Tax law and policy

Tax law and policy have an effect on taxpayers' behavior, especially when the income tax and the tax system are complex. The complexity of the income tax and the tax system is the sum of compliance costs and administrative costs. Also, the complexity of the income tax may increase compliance cost for taxpayers, including the time taxpayers spend preparing and filing tax forms, learning about tax law, and maintaining record keeping for tax purposes (Gale & Holtzblatt, 2002). Thus complexity may lead to tax evasion. Previous studies found a correlation between complexity of income taxes and tax evasion. Torgler (2003) conducted a survey in the United States to investigate the relationship between complexity and tax non-compliance. He found that a higher perceived complexity of the tax system results in a lower rate of willingness to pay taxes. Torgler (2007) also cites a survey conducted in the United States by Alm, Sanchez and Juan (1995) that also showed that the complexity of the tax system, both in tax law and procedure, may lead to unintentional non-compliance. This is the problem with the Internal Revenue Service (IRS) as there is a perception of errors and inconsistencies among tax officers of the IRS in dealing with the public. The higher the costs of compliance to follow the tax law, in the form of time and/or money, the more likely that tax evasion occurs.

Tax law and policy are one of many tools that government uses to gain more taxes from their citizens. Many forms of deduction or exemption are put in place to persuade taxpayers to pay their taxes correctly. As taxpayers perceived their own benefits from saving money from tax deductions and exemptions, they might have more willingness to pay taxes. These laws and policies are also a type of positive incentive.

(b.2) Organizational structure

At the organizational level of the tax office, organizational structure is a topic currently being considered in tax reform. Centralized culture in the tax organization influences tax collectors' attitudes. When tax collectors believe that they have a legitimate power to impose taxes, their posture toward taxpayers will be of more intense enforcement and might bring about unexpected behaviors. For example, as the relationship between taxpayer and tax collectors is very formal in a hierarchical organization, some taxpayers may feel

uncomfortable to contact tax authorities and decide to walk away from the tax system by not paying any taxes.

In the case of the Australia Taxation Office (ATO), Braithwaite (2003) stated that defiant postures are more likely to be associated with taxpayers' low satisfaction with their power to make their own decisions. She selected Australia as her unit of analysis and constructed the ATO compliance model which was developed by the Cash Economy Task Force to explain tax compliance and non-compliance problems, with strategies to cope with the problem. The ATO compliance model illustrates that when taxpayers are open to make a decision on paying taxes by themselves, for example, they can correct their mistakes by themselves or sometimes admit wrongdoing; in short, they were likely to be displaying postures of deference to tax authority.

This finding was supported by the experiment of Guth, Levati and Sausgruber (2005), who hypothesized that a shift from a decentralized to a centralized tax system changes behavioral incentives to pay taxes. Two treatments, a centralized tax system and a decentralized tax system were given to two groups. They found that centralization induces lower tax morale and less efficient outcomes. Previous empirical studies proved that the more democracy in the tax system, the greater compliance in taxpayers.

(b.3) Quality of tax institutions

The quality of tax institutions has a strong positive correlation with tax compliance (Frey & Torgler, 2007). The impact of the tax system's quality on taxpayer behaviors have been studied in many aspects: for example, accountability, transparency, and adequacy. The willingness to comply can be affected by the quality of institutions that face taxpayers.

The first aspect is the accountability and transparency of the tax administration and institution. A proxy variable for the opposite of this aspect is corruption, and the issue of its impact on taxpayer behavior and total tax revenue. Sanyal, Gang and Goswami (2000) examined an outcome from corruption in tax administration with a scientific approach, scoped on aggregate implications of corrupt administration. A GSG model³ was adopted and developed as a tool for analysis. The results demonstrated that corruption in tax administration results in intensified tax effort, wider auditing and/or a higher tax rate, without increasing net revenue. This implies that corruption in tax administration brings about net revenue loss as an unanticipated outcome of intensified tax effort.

The corruption of tax collectors thus may bring about unexpected outcomes in two dimensions. The first is tax revenue that disappears through cheating by tax collectors, if the system cannot detect the fraud. Moreover, some corrupted tax collectors may make a strong effort to collect tax from taxpayers incorrectly but without an increase in total income tax. This might result in irritation among taxpayers that could expand into tax revolt.

The second aspect of tax institution quality is an adequate tax system. Many researchers have attempted to investigate the linkage between public goods (the main proxy variable) and tax compliance, with different approaches. Cowell and Gordon (1988), under a scientific

³ The GSG Model was developed by Goswami, Sanyal and Gang (1991). It uses game theory to explain the outcome of tax behavior between taxpayer and auditor.

approach, used an economic model with the conventional assumptions about decision making under uncertainty to examine the impact of public goods on the decision to evade tax. The model proved that providing more public goods and services caused tax evasion to fall. Similarly, Peters (1991) proved that linkage by comparison of secondary data from many countries on government public spending provisions. The information showed that people willing to pay more taxes if the government spends their money on public programs that benefit them. In addition, Alm, Jackson and McKee (1992) also tested this linkage using an experiment with students and found that participants have a greater willingness to pay taxes when they perceived benefits from public goods funded by their taxes. Low satisfaction with public services and tax authorities can undermine tax compliance.

(b.4) Tax reform

The culture of tax collectors and tax institutions has a lasting impact on tax reform in many countries. Tax reform can be defined as any change that improves the operation of the tax system; thus it is a subjective definition that is “in the eye of the beholder” (Gold, 1988). Earlier research showed that tax collector culture and organizational culture has an impact on many changes in tax organization. In order to increase the level of tax compliance, recent trends in tax administration have largely been a change from “command and control” to customer service.

In the case of the Internal Revenue Service (IRS) of United States, the Reform Act of 1998 wrought enormous changes at the IRS. Traditionally, an enforcement strategy was used to combat noncompliance. After the Reform Act of 1998, there has been a renewed focus on taxpayer rights and customer service. However, it should be noted that reform of the tax organization cannot be accomplished in isolation from the current capabilities of the culture of taxpayers and tax collectors. The success of reform depends on the how much tax collectors can change their old norms and behaviors, from command to control into customer service, which may embed the entire tax organization.

Job, Scout and Smith (2007) also investigated the importance of culture in tax reform. He examined tax administration in three countries; Australia, New Zealand and East Timor. Tax administration in the three countries was changed from command and control to responsive regulation. In Australia as well as New Zealand, the Australian Taxation Office (ATO) staff and New Zealand Inland Revenue (NZIR) staff have identified the compliance model. This model has affected tax officers’ thinking, culture, process and language. In East Timor however, a comprehensive training package was used to change the East Timor Revenue Service (ETRS). The change focused on the culture of these tax organizations and many strategies were used to accomplish the goal of tax reform. The findings of the Job, Scout and Smith (2007) study indicate that the ongoing success of reform depends on the different occupational subcultures within the organization. If the organizational culture is given opportunities to change existing practices and procedures, tax reform will be successful.

Studies have also shown a strong link between organizational culture and organizational performance (Moblely, Wang & Fung, 2005). Thus, there is also a linkage between the culture of taxation and the success of tax reform. Previous studies in management science about the measurement of organizational culture have focused on the dimensions of organizational culture that relate to the effectiveness and competitiveness of the organization, sometimes called the performance of the organization. If the culture of the tax organization is compatible with the core values of the reform, greater success in tax reform will be achieved.

Conclusion and Recommendations

Conclusion

The goal of this study is to synthesize the concept of the culture of taxation and the approaches used to study it. The research reviewed here shows that the culture of taxation is studied from the viewpoint of taxpayers and tax collectors. A significant body of research on tax compliance, tax evasion, tax administration, and tax reform has accumulated. The synthetic definition of the “culture of taxation” here is a phenomena encompassing the values, expectations, and behaviors which are embedded in the relationship between taxpayers and tax collectors. It is always rooted in the mind and consciousness of players in the tax system and also affects tax behaviors. In addition, the patterns of culture of taxation can be observed and investigated through symbols, signs and the actions of players in the tax system.

There are several research methods employed in the study of the culture of taxation. Comparative studies and case studies are broadly used: for example, the comparison of tax culture between many countries, surveys of tax culture in specific countries, experiments with taxpayers, and etc. From the taxpayer side, five significant themes have been shown to have an impact. First, sanctions and punishments are the basic strategy to increase tax compliance; however, soft strategies like giving tax rewards also raise tax compliance. Second, taxpayers who have a high level of tax morale tend to be more compliant. Third, taxpayer confidence that the government tax authority collects tax in a fair and efficient manner and uses tax revenue to benefit most citizens is very important for tax collection. Tax compliance is higher among taxpayers who have positive attitudes in the tax system and government. Fourth, greater tax participation results in a greater degree of tax compliance. Fifth, different socio-demography can cause a different culture of taxation.

From the tax collector side, factors that have an impact on the culture of tax administration are tax law and policy, organizational structure, the quality of tax institutions, and tax reform. First, complex tax laws might increase the cost of compliance. Moreover, a lack of integrity in the tax system also arises from complex tax laws. Thus, higher complexity of tax laws and the tax system results in a low rate of tax compliance. Second, decentralized culture in the tax organization may encourage taxpayers to pay tax. Third, corruption in tax administration brings about an unanticipated outcome from intensified tax efforts and has an impact on taxpayers’ attitudes toward tax collectors. Taxpayers have a willingness to pay taxes when they perceive benefits from public goods funded by taxes. Finally, the success of tax reform cannot be achieved without a concern about tax culture within the system.

This study of the culture of taxation helps fill the gaps of previous studies by depicting the entire circumstance of tax culture. This includes a focus on both taxpayers and tax collectors, the main actors in the system, and the relationships between them. This may enlarge understanding about phenomena occurring in the tax system and their elements. For example, tax evasion is a phenomenon reflecting a lack of feeling of responsibility (taxpayer culture), a lack of confidence in government (taxpayer culture), and limited enforcement (tax collector culture). Previous studies on the culture of taxation have been concerned with taxpayers, especially compliant and non-compliant behavior, and the determinant that affect these behaviors. Nevertheless, the culture of tax collectors’ enforcement has not been studied as much. The prominent theme about tax collector culture in previous research is tax reform. One reason for this is data limitations, especially in a comparative study. Global statistics

about tax collector culture can rarely be found. Most statistics concern total tax revenue and tax rates. Thus, it is more difficult to study tax collector culture using secondary data or through comparative studies. Even with these constraints, however, further research into this field should focus on the tax collector side.

The findings of this study also have implications for tax administration, especially tax collection. Understanding the culture of taxation helps to elucidate the rooted reasons of tax behavior. Policymakers can create the most effective strategy for each specific area through considering taxpayer and tax collector culture. For instance, in areas where taxpayer culture is mainly tax avoidance and tax collector culture is intensive enforcement, policy should emphasize arousing taxpayers' responsibilities for the country. Tax administrations should promote positive messages to inform taxpayers of their responsibilities and show citizens the importance of taxes. If taxpayers avoid paying their taxes and tax collectors still keep silent, governments will not collect all the taxes that are owed to them under the statutes.

Recommendations for further research

1. Qualitative studies have not been used in this area. To grasp profound information about what people actually think, qualitative methods are often best. For example, a researcher might interview tax authorities or some kinds of taxpayers, especially to investigate an abstract concept. With this method, the researcher may get new insights from respondents from different perspectives.

2. The framework of the culture of taxation indicates the need for further research in the tax policy area, and can help to create alternative options in tax policy. For example, investigations are needed into questions like: What do people think and expect about tax incentives? How do tax incentive policies work in the relationship between tax collectors and taxpayers?

3. Future research can be conducted about knowledge management in tax administration as well as civic education on taxation. Knowledge management in tax administration is important to create expertise in certain areas, and help the tax organization to look more professional and trustworthy. For taxpayers, tax education is not just a strategy to encourage tax compliance and collect more taxes; it will help to foster attitudes of commitment to the common good, to shed the light on how public money is used, and to realize the detrimental effects of tax fraud and corruption on citizens and the country. These topics might be useful for the improvement of tax policy and tax law in the future.

References

- Administración Federal de Ingresos Públicos (AFIP). (1997). *Tax statistics (Estadísticas tributarias)*. Buenos Aires: AFIP.
- Allingham, M.G. & Sandmo, A. (1972). Income tax evasion: A theoretical analysis. *Journal of Public Economics*, 1, 323-338.
- Alm, J. & Torgler, B. (2006). Culture differences and tax morale in the United States and in Europe. *Journal of Economic Psychology*, 27(2006), 224-246.
- Alm, J., Jackson, B. & McKee, M. (1992). Deterrence and beyond: Toward a kinder, gentler IRS. In J. Slemrod (Ed.), *Why people pay taxes* (pp. 311-329). Ann Arbor: University of Michigan Press.
- Alm, J., Sanchez, I. & Juan, A.D. (1995). Economic and noneconomic factors in tax compliance. *KYKLOS*, 48, 3-18.

- Atuguba, R. (2006). *The tax culture of Ghana: A research report prepared for the Revenue Mobilisation Support (RMS)*. Accra: German Development Cooperation (GTZ), Revenue Mobilisation Support (RMS), Ghana.
- Baldwin, J. R., Faulkner, S. L., Hecht, M. L., & Lindsey, S. L. (Eds.). (2006). *Redefining culture perspectives across the discipline*. Mahwah, NJ: Laurence Erlbaum Associates.
- Bazart, C. & Pickhardt, M. (2011). Fighting income tax evasion with positive rewards. *Public Finance Review*, 39, 124-149.
- Belkaoui, A.R. (2004). Relationship between tax compliance internationally and selected determinants of tax morale. *Journal of International Accounting, Auditing and Taxation*, 13, 135-143.
- Bergman, M. 2003. Tax reforms and tax compliance: The divergent paths of Chile and Argentina. *Journal of Latin American Studies*, 35,593-624.
- Bobek, D.D., Roberts, R.W. & Sweeney, J.T. (2007). The social norms of tax compliance: Evidence from Australia, Singapore, and the United States. *Journal of Business Ethics*, 74, 49 – 64.
- Braithwaite, V. (2001, March). The Community Hopes, Fears and Actions Survey: Goals and measures (Centre for Tax System Integrity Working Paper No. 2). Retrieved from the Australian National University website: <http://vab.anu.edu.au/pubs/wp2.pdf>
- Braithwaite, V. (2003). *Taxing democracy: Understanding tax avoidance and evasion*. Farnham, UK: Ashgate Publishing Limited.
- Braithwaite, V. & Reinhart, M. (2005, November). *Preliminary findings and codebook for the Australian Tax System – Fair or Not Survey* (Centre for Tax System Integrity Working Paper 79). Retrieved from Regulatory Institutions Network, the Australian National University website: <http://regnet.anu.edu.au/sites/default/files/CTSI-WorkingPaper79-full.pdf>
- Chan, K.H. & Mo, P.L.L. (2000). Tax holidays and tax noncompliance: An empirical study of corporate tax audits in China's developing economy. *The Accounting Review*, 75 (4), 469-484.
- Cowell, F.A. & Gordon, J.P.F. (1988). Unwillingness to pay: Tax evasion and public good provision. *Journal of Public Economics*, 36, 305-21.
- Deci, E. L. & Ryan, R. M. (1985). *Intrinsic motivation and self-determination in human behavior*. New York, NY: Plenum Press.
- Durant, W. (1926). *The story of philosophy*, New York, NY: Pocket Books.
- Edling, H. & Nguyen, D. (2006). *Public finance and administrative reform study taxes and culture – Tax reforms for sustainable development*. State and Democracy Public Finance and Administrative Reform, Fiscal Studies No. 5: Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ).
- Feld, L.P. & Frey, B.S. (2002). Trust breeds trust: How taxpayers are treated. *Economics of Governance*, (3), 87-99.
- Feld, L.P., Frey, B. S. & Torgler, B. (2007). Rewarding honest taxpayers. In H. Elffers, P. Verboon and W. Huisman (Eds.), *Managing and maintaining compliance*. (pp. 45-61). The Hague: Boom Legal Publisher.
- Feld, L.P. & Tyran, J.R.(2002). Tax evasion and voting: An experimental analysis. *KYKLOS*, 55, 197-222.
- Frey, B. S. (1997). *Not just for the money: An economic theory of personal motivation*. Cheltenham: Edward Elgar.
- Frey, B.S. (2003). The role of deterrence and tax morale in taxation in the European Union. Jelle Zijlstra Lecture, Netherlands Institute for Advanced Study in the Humanities and Social Sciences (NIAS).
- Friedland, N., Matital, S. & Rutenbert, A. (1978). A simulation study of income tax evasion. *Journal of Public Economics*, 10, 107-16.
- Gale, W.G. & Holtzblatt, J. (2002). The role of administrative issues in tax reform: Simplicity, compliance, and administration. In G.R. Zodrow and P. Mieszkowski (Eds.), *United States tax reform in the 21st century* (pp.179-214). Cambridge, UK: Cambridge University Press.
- Gold, S.D. (1988). The unfinished agenda for state tax reform. *National Conference of State Legislatures*. Denver, Colo. : National Conference of State Legislatures.
- Goswami, O., Sanyal, A. & Gang, I.N. (1991). Taxes, corruption, and bribes: A model of Indian public finance. In M. Roemer and C. Jones (Eds.), *Markets in developing countries: Parallel, fragmented, and black* (pp. 201-213, 252-253). San Francisco: ICS Press.
- Grasmick, H.G., Bursik, R.J. & Cochran, J.K. (1991). Render unto Caesar what is Caesar's: Religiosity and taxpayers' inclinations to cheat. *Sociological Quarterly*, 32, 251-66.

- Guth, W., Levati, V. & Sausgruber, R. (2005). Tax morale and (de-) centralization: An experimental study. *Public Choice*, 125(1-2), 171-188.
- Hall, E.T. & Hall, M.R. (1990). *Understanding cultural differences: Germans, French and Americans*. Yarmouth, ME: Intercultural Press.
- Hartner, M., Rechberger, S., Kirchler, E. & Schabmann, A. (2008). Procedural fairness and tax compliance. *Economic Analysis and Policy*, 38(1), 137-152.
- Hyun, J. K. (2005). *Tax compliances in Korea and Japan: Why are they different?*. Policy Research Institute, Ministry of Finance, Japan.
- Jairaj, A. & Harriss-White, B. (2006). Social structure, tax culture and the state: The case of Tamil Nadu. *Economic and Political Weekly*, 41(51), 5247-5256.
- Job, J., Stout, A. & Smith, R. (2007). Culture change in three taxation administrations: From command-and-control to responsive regulation. *Law & Policy*, 29 (1), 84-101.
- Kirchler, E. & Hoelzl, E. (2006). Modelling taxpayers behaviour as a function of interaction between tax authorities and taxpayers. In Elffers, H., Verboon, P. & Huisman, W. (Eds.). *Managing and maintaining compliance*. (pp.1-24) The Hague: Boom Legal Publishers,
- Kroeber, A.L. & Kluckhohn, C. (1952). *Culture: A critical review of concepts and definitions*. Cambridge, MA: The Museum.
- Lewis, A. (1982). *The psychology of taxation*. Oxford: Martin Robertson.
- Majken, S. (1994). *On studying organizational cultures: Diagnosis and understanding*. Berlin: W. de Gruyter.
- Martinez-Vazquez, J. & McNab, R.M. (2000). The tax reform experiment in transitional countries. *National Tax Journal*, 53(2), 273- 298.
- McGee, R.W., Ho, S.S.M., & Li, A.Y.S. (2008). A comparative study on perceived ethics of tax evasion: Hong Kong vs. the United States. *Journal of Business Ethics*, 77, 147-158.
- Mobley, W.H., Wang, L. & Fung, K. (2005). Organizational culture: Measuring and developing IT in your organization. *The Link*. China Europe International Business School (CEIBS).
- Molero, J.C. & Pujol, F. (2012). Walking inside the potential tax evader's mind: Tax morale does matter. *Journal of Business Ethics*, 105, 151-162.
- Mori, E. (1998). *Investigation of taxpayers' behaviors against tax liabilities [Investigacion del comportamiento de los contribuyentes frente a la obligacion tributaria]*. SII Santiagode Chile: Internal Revenue Service [Servicio de Impuestos Internos].
- Murphy, K. (2004). *The role of trust in nurturing compliance: A study of accused tax avoiders*. Working Paper 49. Centre for Tax System Integrity, Research School of Social Sciences, Australian National University.
- Nerre, B. (2001, August). The emergence of a tax culture in Russia. Paper presented at the 57th Congress of the International Institute of Public Finance: The Role of Political Economy in the Theory and Practice of Public Finance. Linz, Austria.
- Organisation for Economic Co-operation and Development (2010, November). Understanding and influencing taxpayers' compliance behavior. Information note from the Forum on Tax Administration: Small/Medium Enterprise (SME). OECD.
- Ott, J.S. (1989). *The organizational culture perspective*. Pacific Grove, CA: Brooks/Cole Publishing.
- Peters, B. G. (1991). *The politics of taxation: A comparative perspective*. Cambridge, MA: Blackwell.
- Richardson, G. (2008). The relationship between culture and tax evasion across countries: Additional evidence and extensions. *Journal of International Accounting, Auditing and Taxation*, 17, 67-78.
- Sanyal, A., Gang, I.N. & Goswami, O. (2000). Corruption, tax evasion and the Laffer Curve. *Public Choice*, 105(1-2), 61-78.
- Sinkuniene, K. (2005). Taxation principles in tax culture: Theoretical and practical aspects. *Management of Organizations: Systematic Research [Organizacijø Vadyba: Sisteminiai Tyrimai]*, 35,177-192.
- Skelton, T. & Allen, T. (Eds.). (1999). *Culture and global change*. London: Routledge.
- Slemrod, J.B. (1985). An empirical test for tax evasion. *The Review of Economics and Statistics*, 67(2), 232-238.
- Spicer, M.W. & Becker, L.A. (1980). Fiscal inequity and tax evasion: An experimental approach. *National Tax Journal*, (33), 171-175.

- Smith, K.W. (1992). Reciprocity and fairness: Positive incentives for tax compliance. In J. Slemrod (Ed.), *Why people pay taxes: Tax compliance and enforcement* (pp. 223-258). Ann Arbor, MI: University of Michigan Press.
- Song, Y. & Yarbrough, Y.E. (1978). Tax ethics and taxpayer attitudes: A survey. *Public Administration Review*, 38, 442-57.
- Tanzi, V. (1999). Transition and the changing role of government. *Finance and Development*, 36(2).
- Taylor, N. (2003). Understanding taxpayer attitudes through understanding taxpayer identities. In V. Braithwaite, *Taxing democracy: Understanding tax avoidance and evasion* (pp.71-92). Farnham, UK: Ashgate Publishing Limited.
- Torgler, B.(2003). Tax morale and tax evasion: Evidence from the United States. *Economic Science Center of University of Basel [Wirtschaftswissenschaftliches Zentrum (WWZ) der Universität Basel], Discussion Paper 03/01*, Basel: WWZ.
- Torgler, B. (2007). *Tax compliance and tax morale: A theoretical and empirical analysis*. Northampton, MA: Edward Elgar Publishing Limited.
- Torgler, B., Demir, I.C., Macintyre, A. & Schaffner, M. (2008). Causes and consequences of tax morale: An empirical investigation. *Economic Analysis and Policy*, 38(2). 314-339.
- Trivedi, V.U., Shehata, M. & Lynn, B. (2003). Impact of personal and situation factors on taxpayer compliance: An experimental analysis. *Journal of Business Ethics*, 47(3), 175-197.
- Tylor, E.B. (1871). *Primitive culture: researches into the development of mythology, philosophy, religion, art, and custom* (Vol. 2). London: J. Murray.
- Tyler, T. R., & Blader, S. L. (2000). *Cooperation in groups: Procedural justice, social identity, and behavioral engagement*. Philadelphia: Psychology Press.
- Vijay, S. (1983). Implications of corporate culture: A manager's guide to action. *Organizational dynamics*, 12(2), 5-23.
- Walsh, K. (2012). Understanding taxpayer behaviour – New opportunities for tax administration. *The Economic and Social Review*, 43(3), 451-475.
- Watkins, M. (2013). *What is organizational culture? And why should we care?* Harvard Business Review Blog Network. Retrieved from <http://blogs.hbr.org/2013/05/what-is-organizational-culture/>
- Wenzel, Michael. (2003). Tax compliance and the psychology of justice: Mapping the field. In V. Braithwaite, *Taxing democracy: Understanding tax avoidance and evasion*. (pp. 41-69). Farnham, UK: Ashgate Publishing Limited.
- William, R. (1961). *Culture and society: 1750-1950*. New York: Penguin.
- Witte, A.D. & Woodbury, D.F. (1985). The effect of tax laws and tax administration on tax compliance. *National Tax Journal*, 38, 1-14.
- Xiao Yan, Shao. (2008). On taxation culture again. *Northern Economy and Trade*, 1, 027.
- Yitzhaki, S. (1974). A note on income tax evasion: A theoretical analysis. *Journal of Public Economic Theory*, 3(2), 225-233.