

The Negative Determinants of the Taxpayers' Fiscal Motivation

Negativní faktory fiskální motivace poplatníků daně

Ewa Lotko*

Abstract

The aim of this article is to analyse taxpayers' motivational postures on the basis of negative determinants shaping fiscal motivation. Motivational postures are strictly connected with taxpayers' behaviour, therefore the research problem is to answer the question, whether motivational postures such as resistance, disengagement and game playing impact the acceptance of tax evasion. The conducted research confirms that trust or its lack to tax authorities, willingness of one's own benefit, conviction of the lack of effectiveness and cost-efficiency in using public funds influence taxpayers' behaviour.

Keywords

Fiscal Motivation; Tax Morale; Motivational Postures; Negative Determinants.

Abstrakt

Cílem tohoto článku je analyzovat motivační postoje daňových poplatníků na základě negativních faktorů, které formují fiskální motivaci. Motivační postoje jsou pevně spjaté s chováním poplatníků daně, a proto je výzkumným problémem hledání odpovědi na otázku, zda motivační postoje jako je odpor, nesusouhlas a hra mají vliv na rozhodnutí spáchat daňový únik. Provedený výzkum potvrzuje, že důvěra či její nedostatek k daňovým orgánům, preference vlastního prospěchu, přesvědčení o nedostatečné účinnosti a nákladové efektivnosti při využívání veřejných fondů ovlivňují chování poplatníků daně.

Klíčová slova

Fiskální motivace; daňová morálka; motivační postoje; negativními determinanty.

1 Theoretical framework

One of the basic ways to increase tax revenues to the state budget may be raising tax rates or introducing actions tightening tax system¹. Implemented by the state policy raising tax revenues interfering into taxpayers' property regimes and based solely on fiscal

* Dr. Ewa Lotko, Právnická fakulta, Univerzita v Białymstoku, Polsko / Faculty of Law, University of Białystok, Poland / E-mail: e.lotko@uwb.edu.pl

¹ Actions targeted at increasing fiscal discipline were taken in Poland in 2017 by implementation of among others: computerised system and the analysis mechanism of the risk of using banking activities to tax fraud; split payment model; monitoring system for the road freight of goods; clause against tax evasion; tightening income tax system; tightening VAT system. More information on this issue in: THE COUNCIL OF MINISTERS. *Multiannual Financial Plan of the State for the years 2017–2020*, Warsaw, 2017, pp. 67 and following.

function of the tax shapes taxpayers' beliefs about taxes and impacts their motivational postures.² In the doctrine of tax law³ six taxpayers' reactions are distinguished:

- the so-called normal reaction, according to which taxpayers pay tax due and do not change their activity in relation to tax obligation;
- actions aimed at shifting taxes;
- tax avoidance (tax optimisation)
- catch up on tax, i.e. improvements in the business activity aimed at lowering the costs of conducting so that the benefits compensate for tax burden;
- illegal tax evasion (tax frauds);
- stop conducting business activity subjected to taxation.

Taxpayers' reactions to tax, besides tax frauds, are all legal actions. Gomulowicz notices that the phenomenon of tax fraud is economically and psychologically conditioned⁴. According to the opinion of the economic sciences whose basis is the assumption that the aim of the taxpayer is to maximize own benefits⁵, paying taxes depends on such factors as: the amount of financial penalties imposed by tax administration; probability of fiscal control; the amount of present tax rates and the amount of the taxpayer's income. To sum up, from tax evasion restrain high financial penalty or the possibility of fiscal control. On the other hand, according to the opinion of Stiglitz⁶, paying taxes is a consequence of insufficient knowledge connected with the possibility to legally evade taxation. Whereas, Frey⁷ states that taxpayers' actions are directed not only by good and benefits for themselves but also by the concern about the state and the sense of civil

2 RADVAN, Michal. How to Get Taxpayers to Pay Local Charges. In: RADVAN, M., J. GLINIECKA, T. SOWIŃSKI, T. and P. MRKÝVKA. *The Financial Law towards Challenges in the XXI Century*. 1. ed. Brno: Masaryk university, 2017, pp. 340–348. ISBN 978-80-210-8516-9. DOI: 10.5817/CZ.MUNI.P210-8516-2017. UT WoS: 000405243700026.

3 PIETRASZ, Piotr. *Opodatkowanie dochodów nieujawnionych*. Warszawa: Wolters Kluwer Polska, 2007, p. 43; PIETREWICZ, Mirosław. *Polityka fiskalna*. Warszawa: Poltext, 1993, pp. 65–66.

4 GOMUŁOWICZ, Andrzej. *Zasada sprawiedliwości podatkowej*. Warszawa: Dom Wydawniczy ABC, 2001, p. 82.

5 ANDREONI, Janes, Brian ERARD and Jonathan FEINSTEIN. Tax compliance. *Journal of Economic Literature*, 1998, Vol. 36, no. 2, pp. 818–860; ANTONIDES, Gerrit and Henry S. J. ROBBEN. True positives and false alarms in the detection of tax evasion. *Journal of Economic Psychology*, 1995, Vol. 16, no. 4, pp. 617–640; VAN DE BRAAK, Hans. Taxation and tax resistance. *Journal of Economic Psychology*, 1983, Vol. 3, no. 2, pp. 95–111; COWELL, Frank. Tax evasion and inequity. *Journal of Economic Psychology*, 1992, Vol. 13, no. 4, pp. 521–543 as cited in NIESIOBĘDZKA, Małgorzata. Relacje podatnik–państwo jako predykatory moralności podatkowej. *Psychologia Społeczna*, 2009, Tom 4/3 (11), p. 123.

6 STIGLITZ, Joseph E. The general theory of tax avoidance. *National Tax Journal*, 1985, Vol. 38, no. 3, pp. 325–337.

7 FREY, Bruno. A constitution for knaves crowds out civic virtues. *Economic Journal*, 1997, Vol. 107, pp. 1043–1053; FREY, Bruno. *Not just for the money: An economic theory of personal motivation*. Cheltenham: Edward Elgar, 1997.

duty. Civil obligation, according to Niesiołędzka⁸, results from internal belief of the individual how one should act towards institutions of the state, i.e. which behaviour is allowed and which cannot be in any way approved or justified. Kirchler connects such posture with the responsibility of the citizens who have high level of civil duty and do not decide to infringe tax provisions even when tax system allows it. Moreover, their behaviour is not regulated by external stimuli (financial penalties or fiscal control) but by internal impulses (care for society). Such posture arises from internal motivation to fulfil tax obligation, which Kirchler identifies with tax morale.⁹

The notion of tax morale was introduced in 1960 by Schmöders, who defined it as “*postures of a group or the whole population of taxpayers concerning the issues of fulfilling or neglecting their duties as taxpayers anchored in tax mentality and the awareness of being a citizen*”¹⁰. Fery and Feld describe tax morale as „internalised obligation”¹¹, and Alm and Torgler as „internal motivation to pay taxes due”¹². The research¹³ indicates that the level of taxpayer’s morale and moral standards adopted in a given society/country directly or indirectly influence their behaviour. What is more, in the countries with high tax ethics¹⁴ taxpayers evading taxation take financial and social risk connected with social stigmatizing.¹⁵ The way a taxpayer is treated by tax authorities also impacts tax morale as well as the development of the sense of civic duty. According to Strümpf, the fact that a taxpayer agrees to pay taxes results from both strict tax system as well as individual attitudes of the taxpayers and opinions about the tax system, which attitudes and opinions decide about tax mentality of the citizens of a given country. The expression tax mentality was introduced

8 NIESIOŁĘDZKA, Małgorzata. Relacje podatek–państwo jako predykatory moralności podatkowej. *Psychologia Społeczna*, 2009, Tom 4/3 (11), p. 124.

9 KIRCHLER, Erich. *The Economic Psychology of Tax Behaviour*. Cambridge University Press, 2007, p. 100.

10 Ibid., p. 99.

11 FREY, Bruno and Lars FELD. *Tax compliance as the result of a psychological tax contract: The role of incentives and responsive regulation*. Canberra: CFRSI Working Paper, 2005, no. 76.

12 ALM, James and Benno TORGLER. Culture differences and tax morale in the United States and in Europe. *Journal of Economic Psychology*, 2006, no. 27, pp. 224–346.

13 BOSCO, Luigi and Luigi MITTONE. Tax evasion and moral constraints: some experimental evidence. *Kyklos*, 1997, Vol. 50, no. 3, pp. 297–324; ERARD, Brian and Jonathan FEINSTEIN. The role of moral sentiments and audit perceptions in tax compliance. *Public Finance*, 1994, Vol. 49, pp. 70–89; KAPLAN, Steven E. and Philip J. M. RECKERS. A study of tax evasion judgments. *National Tax Journal*, 1985, Vol. 38, pp. 97–102; WENZEL, Michael. *The social side of sanctions: Personal and social norms as moderators of deterrence*. Canberra: CFTSI Working Paper, 2002, no. 34; WENZEL, Michael. Motivation or rationalisation? Causal relations between ethics, norms and the tax compliance. *Journal of Economic Psychology*, 2005, Vol. 26, pp. 491–508 as cited in NIESIOŁĘDZKA, Małgorzata. Relacje podatek–państwo jako predykatory moralności podatkowej. *Psychologia Społeczna*, 2009, Tom 4/3 (11), p. 123.

14 Countries with the highest level of tax morale are ones with firmly grounded democratic traditions: Switzerland and the USA. See: Research conducted by ALMA and TORGLER. Culture differences and tax morale in the United States and in Europe. *Journal of Economic Psychology*, 2006, no. 27, pp. 224–346.

15 NIESIOŁĘDZKA, Małgorzata. Relacje podatek–państwo jako predykatory moralności podatkowej. *Psychologia Społeczna*, 2009, Tom 4/3 (11), p. 124.

in 1930 s by Günter Schmölders and is a “*resultant of general postures, norms and beliefs about the state, taxes, distribution and financing public goods*”. The term tax mentality needs to be distinguished from tax morale, which concerns the attitude of an individual towards the obligation to pay taxes and evaluation of tax evasion in comparison to other offences.¹⁶

When analysing tax motivation, motivational postures are worth noting. Braithwaite distinguishes five of them: commitment, capitulation, resistance, disengagement and game playing. The first two postures reflect belief of the necessity of tax compliance and are based on the sense of moral duty and according to capitulation on the kind relation taxpayer-tax authority, in which tax authority appears as voluntary authority if the taxpayer's actions are legal. In turn, next three postures have negative character (deviant, rebellious) because they are the consequences of taxpayers' doubts regarding their just treatment by tax authorities, express distance between taxpayers and tax authorities, with the taxpayers convinced about the necessity to fight tax authorities or showing attitude of players using tax provisions for their own purposes.¹⁷ Braithwaite also distinguishes two types of resistance against tax compliance, i.e. disrespectful resistance, when people think that the authorities do not have the right to interfere in the freedom of the individual and fighting resistance meaning opposition to the methods used by the authorities¹⁸.

2 Methodology and Data

This article constitutes a basis for further interdisciplinary research on the behaviour of the taxpayers evading taxation. Further planned research are to be directed towards studying tax motivation by researching taxpayer's reactions to legislative, procedural and enforcement actions of tax authorities, which are multi-dimensional and changeable, as well as presenting negative results for the state budget such as, e.g.: increasing public debt or the problem with limiting tax gap, which arise from non-compliance with tax obligations.

The starting point to the research on taxpayers' basic motivational postures presented in this article were the factors shaping taxpayers' motivation to fulfil tax obligation as well as to evade it. Preliminary studies¹⁹ allowed to determine psychological and ethical aspects having both positive as well as negative influence on the formation of tax

¹⁶ NIESIOBĘDZKA, Małgorzata. *Dlaczego nie płacimy podatków? Psychologiczna analiza uchylania się od opodatkowania*, Warszawa: Wydawnictwo Naukowe SCHOLAR, 2013, p. 38.

¹⁷ BRAITHWAITE, Valerie. Dancing with tax authorities: Motivational postures and non-compliant actions, In: BRAITHWAITE, Valerie (ed.). *Taxing Democracy Tax Avoidance and Tax Evasion*. Ashgate: Aldershot, 2003, pp. 20–22. Available at: https://www.researchgate.net/publication/251786547_Dancing_with_Tax_Authorities_Motivational_Postures_and_Noncompliant_Actions [cit. 4. 1. 2018].

¹⁸ BRAITHWAITE, Valerie. *Defiance in Taxation and Governance Resisting and Dismissing Authority in a Democracy*, Cheltenham Northampton, 2009, p. 103.

¹⁹ Detailed results of the research were published in the article by LOTKO, Ewa and Urszula K. ZAWADZKA-PAK. Psychologiczne i etyczne aspekty w kształtowaniu motywacji podatkowej. *Przedsiębiorczość i zarządzanie w rozwoju ekonomicznym*, 2017, Vol. 18, Issue 9, no. 2, pp. 333–343.

motivation and to research what public values taxpayers are guided by when deciding about tax compliance or evasion.

Preliminary quantitative research was conducted by anonymous online survey on the trial $n=1300$ inhabitants of Podlaskie and Mazowieckie. Provinces in the age between 18–60 with the return of the survey on the level of 13%. 72% of the respondents were women and 28% were men. 48% of respondents had secondary education, 24% higher education of first degree and 28% higher education with second degree. People in the age between 21–30 were the most numerous group, constituting 66%; 30-year-olds and 40-year-olds comprised 22% (31–40 year-olds) and 5% (41–50 year-olds), respectively; 6% constituted people below 20 years old; whereas the least numerous group were people between 51–60 years old, constituting 1%. 68% of respondents declared to be religious, 23% to be religious but not practicing and 9% to be irreligious.

Respondents were asked open questions presented below, which included factors shaping tax motivation both positively (P) as well as negatively (N). It is worth mentioning that respondents did not have any limitations regarding the length of the answers. There were very long, one-sentence or one-word answers. Respondents could also omit questions:

1. Assuming that your neighbour had their flat renovated by their colleague and did not enter any official agreement with them, in this way evading taxation, what would motivate them? (N)
2. What motivates entrepreneurs to pay taxes? (P)
3. What motivates us to use services provided by people or entities not paying taxes due? (N)
4. What discourages entrepreneurs from paying taxes? (N)
5. What discourages us from using services provided by people or entities not paying due taxes? (P)
6. Do entrepreneurs honestly paying taxes do so guided by any moral values? If yes, then which ones? (P)

At the end of the survey respondents were asked which of the two statements (it is worth to pay taxes but it does not pay or it pays off to pay taxes but it is not worth doing) they agree with and why.

To realise the research aim of this article, which is the analysis of taxpayers' motivational postures based on negative determinants shaping tax motivation, three of the above questions including only negative factors are analysed.

Motivational postures are strictly connected with taxpayers' behaviour, therefore the research problem concerns answering the question whether motivational postures such as resistance, disengagement and game playing influence the approval to evade taxation. Given such stated research problem, the hypothesis was formulated in the following way: there is a connection between motivational postures and the acceptance to evade

taxation, which is influenced by trust or its lack to tax authorities, willingness to obtain own profit, conviction about the ineffective use of public funds.

3 The analysis of taxpayers' motivational postures

Braithwaite distinguishes five types of taxpayers' motivational postures towards abiding tax law. Commitment and capitulation postures are connected with voluntary tax compliance. Totally different types of behaviour related to tax payment extortion are presented by resistance, disengagement and game playing. The types of motivational postures presented below may be assigned to specific types of taxpayers. It needs to be emphasised that some people may have different motivational postures at the same time. Torgler²⁰ indicates four types of taxpayers: Social Taxpayer, Intrinsic Taxpayer, Honest Taxpayer and Tax Evader. **Social Taxpayers** are under the influence of social norms and the surrounding, they show sensitivity to opinions of other people, guilt and shame restrain them from tax evasion. However, when they see that other people evade from paying taxes, they start to limit their engagement in fulfilling tax obligations. Moreover, the conviction that the proportion of contribution and benefits is less favourable than in the case of other people might cause that the Social Taxpayers may treat tax evasion as just. **Intrinsic Taxpayers**, sensitive to institutional factors, make their behaviour dependent on the actions of tax authorities which may strengthen or weaken their willingness to pay taxes. Therefore, for the taxpayers representing this type it is essential that the relation taxpayer-tax authority is based on trust and mutual respect. **Honest Taxpayers** definitely condemn all unlawful behaviour and do not take any actions evading taxation, regardless the amount of possible sanctions. Totally different attitude is presented by **Tax Evaders**, whose decisions to evade taxation are solely based on the economic profit and loss calculation.²¹

Due to the analysis of negative determinants shaping tax motivation, only these types of taxpayers will be included which correspond to the types of behaviour connected with extorting attitude towards tax compliance, i.e. evasion.

Respondents answering the following questions:

- Question 1: *Assuming that your neighbour had their flat renovated by their colleague and did not enter any official agreement with them, in this way evading taxation, what would motivate them?*
- Question 2: *What motivates us to use services provided by people or entities not paying due taxes?*
- Question 3: *What discourages entrepreneurs from paying taxes?*

20 TORGLER, Benno. Tax Morale, Rule-Governed Behaviour and Trust. *Constitutional Political Economy*, 2003, Vol. 14, issue 2, pp. 119–140.

21 NIESIOBĘDZKA, Małgorzata. *Dlaczego nie płacimy podatków? Psychologiczna analiza uchylania się od opodatkowania*, Warszawa: Wydawnictwo Naukowe SCHOLAR, 2013, pp. 147–148.

explained their beliefs, why they do not pay taxes, differently (talking about other taxpayers). Analysing answers, it may be stated that taxpayers' postures towards paying taxes arise most often from the willingness to limit costs to the state and formalities connected with tax compliance. Therefore, it may be possible to risk a claim that the change in the amount of taxes, decreasing formalities or help in this scope from tax authorities may result in limiting or totally eliminating tax evasion. The type of **Tax Evader** presenting the above behaviour reminds **motivational posture of game playing**.

However, analysing answers of the respondents, the attention is drawn to the feeling of injustice of the tax system, unequal treatment of taxpayers by tax authorities, relation taxpayer-tax authority without trust and respect and public funds from taxes being mis-spent by the government administration. The respondents also do not consider using untaxed services as something wrong but as an indication of resourcefulness. Moreover, they think that it is a common phenomenon explaining that "*everyone does so*". This demonstrates how individual tax standards are influenced by tax standards of the surrounding in which the taxpayers function. The acceptance of tax evasion by other taxpayers may in a great extent intensify the approval of such behaviour by ourselves, in effect weakening tax discipline. The type of **Tax Evader** presenting the above behaviour reminds **motivational posture of resistance and disengagement**.

Obtained, on the basis of own research, results allowed to specify negative determinants shaping taxpayers' motivation to pay taxes. Therefore, an attempt was made to group the answers/statements into sets of beliefs according to the proposed by Braithwaite typology of taxpayers' motivational postures towards tax compliance (they are presented in the Table below).

Table 1: Statements representing motivational postures of resistance, disengagement and game playing

Resistance
<ul style="list-style-type: none"> • the amount of taxes • injustice of the tax system • treating taxpayers as offenders • lack of help from civil servants • own beliefs/"Polish mentality" • internal reluctance towards paying taxes • lack of knowledge of tax provisions • lack of awareness of the necessity to enter into agreement • too expanded and complicated tax system
Disengagement
<ul style="list-style-type: none"> • not very friendly state • lack of trust to politicians • not very friendly attitude of the civil servants • willingness to help a friend • sense of wasting public funds

Game playing

- willingness to save money
- less formality and bureaucracy
- quicker and less formalised service
- reluctance to share

Source: elaboration on the basis of own research

Conclusions

The aim of this article was to analyse taxpayers' motivational postures based on the negative determinants shaping tax motivation. The conducted analysis allows to state that taxpayers' actions concerning complying and fulfilling tax duties result from both their evaluation of the tax system as well as the way taxpayers are treated by the tax authorities and from the willingness to achieve own financial benefits. Motivational postures presented in the article indicate that the bigger the distance between the taxpayer and the tax authority, the greater the taxpayer's reluctance to tax compliance. Therefore, taxpayers' trust to state institutions as well as legislative and executive bodies is so important in increasing tax discipline. This trust positively affects tax morality, enhances the sense of civic duty and shapes convictions which behaviour is allowed and which not with respect to the state.

Also social standards and other people's actions impact taxpayers' behaviour. Rejecting different ways of tax evasion by other taxpayers decreases approval of such behaviour by a given individual and vice versa, the acceptance of deviant behaviour by others, justifies such behaviour of oneself. Therefore, the type of taxpayer evading taxes does not consider tax evasion as wrong and unethical.

Subjective conviction of injustice of the tax system and wasting public funds by politicians is another factor impacting taxpayers' behaviour. The more taxpayers are convinced about their wrong treatment by tax authorities, the more they accept tax evasion. Similarly, the conviction about misspent public funds by public/local administration bodies, increases the reluctance to share "*their hard earned money*" with the state.

As it was indicated in the article, motivational postures are strictly connected with taxpayers' behaviour, what allows to confirm the stated hypothesis that the acceptance of tax evasion is influenced by such factors as the lack of trust to public administration bodies, willingness to a achieve own benefits, conviction of the lack of effectiveness and cost-efficiency in using public funds. All these factors are considered as negative determinants shaping tax motivation. However, it needs to be emphasised that this article and the presented conclusions constitute introduction to further, more advanced research on taxpayers' postures and tax motivation.