

Preconditions of Voluntary Tax Compliance

Knowledge and Evaluation of Taxation, Norms, Fairness, and Motivation to Cooperate

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Abstract. Taxpayers' willingness to cooperate with the state and its institutions, in general, and their willingness to pay taxes, in particular, depend on a variety of variables. While economists stress the relevance of external variables such as tax rate, income, and probability of audits and severity of fines, psychological research shows that internal variables are of similar importance. We present a comprehensive review on the relevance of citizens' knowledge of tax law, their attitudes toward the government and taxation, personal norms, perceived social norms and fairness, as well as motivational tendencies to comply, and discuss possibilities for strategic intervention to increase tax compliance.

Keywords: tax behavior, tax compliance, norms, attitudes, fairness

Citizens' inclination to cooperate with the state and its institutions, in general, and their willingness to pay taxes, in particular, depend on a variety of variables. While economists stress the relevance of external variables such as tax rate, income, and probability of audits and severity of fines, psychological research shows that internal variables are of similar importance: Taxpayers' knowledge of tax law, their attitudes toward the government and taxation, personal norms, perceived social norms and fairness, as well as motivational tendencies to comply are psychological determinants shaping tax behavior (Kirchler, 2007).

Empirical research on determinants of tax behavior has shown mixed evidence on the specific weight of economic variables: Some studies found audits and fines to increase compliance; other studies have not found any or even opposite effects (Andreoni, Erard & Feinstein, 1998; Fischer, Wartick & Mark, 1992). The inconsistency of patterns of results suggests that economic determinants are moderated by psychological variables. Kirchler, Hölzl, and Wahl (2008) developed a conceptual framework – the slippery slope model – suggesting that audits and fines are relevant under the condition of low trust in governmental institutions and tax authorities, in particular, especially if the government has the power to carry out audits effectively. In a climate of mutual distrust, citizens can be forced to comply. On the other hand, if the climate is characterized by mutual trust, audits and fines would signal authoritarianism and distrust, and, thus, rather than increasing compliance, would be ineffective or even counterproductive. In a climate of mutual trust, citizens have positive representations

of the tax system and tax authorities and cooperate spontaneously. High subjective tax knowledge, favorable attitudes, personal and social norms of cooperation, as well as perceived fairness of the tax system are the basis of a motivational tendency to cooperate and, consequently, of voluntary compliance.

We present a comprehensive review of both theoretical and empirical psychological research on (a) knowledge and evaluation of taxation, including the structure of knowledge and attitudes toward taxation, (b) personal and social norms, (c) fairness perceptions, and (d) motivational postures and discuss their impact on willingness to cooperate and to spontaneously comply with the law. Implications for tax authorities are elaborated in the final section.

Knowledge and Evaluation of Taxation

An essential factor influencing tax compliance is the knowledge of taxation. Tax law is complex because of high levels of abstraction and technical terms (McKerchar, 2001). To comprehend the tax law in Britain, at the end of the 1970s, it was estimated that at least 13 years of education are required; in the U.S. 12.5 years of schooling are needed, whereas in Australia 17 years were estimated (Lewis, 1982). Most people have less than the required education to understand the tax law. The majority of taxpayers do not understand tax law

correctly and, thus, complain about having poor subjective knowledge (e.g., Roberts, Hite, & Bradley, 1994; Schmolders, 1960), feel incompetent—if not helpless—concerning tax issues, and feel constrained to seek support from experts, especially tax practitioners (Sakurai & Braithwaite, 2003). Empirical evidence shows that poor knowledge of the tax system breeds distrust (Niemiowski, Wearing, Baldwin, Leonard & Mobbs, 2002).

People not only have difficulty understanding tax law, they also show poor knowledge about tax rates and basic concepts of taxation. For example, British citizens underestimated the tax rate by about 11% when asked for actual tax rates for various income brackets (Lewis, 1978). Surveys on people's acceptance of flat and progressive tax showed different preferences depending on the mere manner of presentation: If income and tax were presented in absolute amounts, respondents preferred flat tax; if income and tax share were presented in percentages, respondents preferred progressive tax (Roberts et al., 1994). Poor knowledge can evoke distrust and negative attitudes toward tax, whereas good tax knowledge correlates with positive attitudes toward tax (Niemiowski et al., 2002).

Studies on knowledge and evaluation have addressed people's understanding and acceptance of tax phenomena as well as relevant concepts of taxation held by different groups of taxpayers. While from the perspective of the community, tax avoidance, tax evasion, and tax flight all have similar negative consequences, people evaluate these phenomena differently (Kirchler, Maciejovsky, & Schneider, 2003). Formally, tax avoidance is defined as the legal reduction of income and/or the legal increase of expenditures by a creative design of the tax statement (Webley, 2004), tax evasion is a deliberately illegal act to reduce tax burden (Elffers, Weigel, & Hensing, 1987), and tax flight means taxpayers' legal relocation of their domiciles and businesses to save taxes (Kirchler et al., 2003). In a qualitative study (Kirchler et al., 2003), participants related tax avoidance to lawful acts enabling tax reduction, to cleverness, and to costs. Tax evasion was associated with illegal acts (e.g., fraud), criminal prosecution, risk, tax-audits, punishment, penalty, and the risk of detection. Tax flight was associated with the idea of saving taxes, the feeling that taxes are considerably lower abroad, and costs of relocation. In general, tax avoidance was perceived as legal and moral, tax evasion was related to illegal behavior and immorality, while tax flight was perceived as legal but also as immoral.

Taxes mostly are perceived as a burden. However, the burden originates from different sources of citizens' perceived pressure and dissatisfaction. Studies on social representations held by different professional groups in Austria (Kirchler, 1998) and Italy (Berti & Kirchler, 2001) showed that white-collar workers perceive taxes as a necessary evil that, however, guarantees social welfare and security; blue-collar workers mainly accuse the government and politicians of using taxation strategically to enrich themselves; self-employed and entrepreneurs who pay taxes out of their pocket feel taxes limit their personal freedom

to invest hard-earned money in their own business (Kirchler, 1998).

In general, empirical studies show that tax avoidance is accepted instead of being perceived as harmful to the community. Tax evasion is not judged as a severe economic crime. In Austria (Kirchler, 1998) and Italy (Berti & Kirchler, 2001), studies on the evaluation of typical taxpayers (i.e., taxpayers "like you and me"), honest taxpayers, and tax evaders revealed that tax evaders are evaluated rather positively, typical taxpayers most negatively, and honest taxpayers most positively. Tax evaders are described as the most intelligent and hard working. The perception of tax evasion as an intelligent performance but not a serious crime is a general phenomenon in tax research. In early studies by Schmolders (1960, 1964), about half of the respondents described tax evaders as cunning businessmen. Compared to other offenses, tax evasion is evaluated as less severe than drunk driving or stealing a car; it is perceived as just a bit more serious than stealing a bike (Song & Yarbrough, 1978; Vogel, 1974). From a theoretical perspective, these attitudes toward tax evasion can be partly explained by Christian values that demand hard work and modesty, and ascribe prosperity to hard work. Not declaring earned money and keeping the tax share, rather than being judged as a crime, might be classified as just compensation for hard work (Lamnek, Olbrich, & Schaefer, 2000).

Norms

People develop ethical standards of adequate conduct in a society and are aware of social norms that regulate behavior in a society. Research on tax behavior has addressed ethical standards as personal norms, social norms, and societal norms (Wenzel, 2003, 2004).

Personal norms comprise personality factors, moral reasoning, values, religious beliefs, etc. Empirical studies show that the personality factor Machiavellianism furthers tax evasion (Adams & Webley, 2001; Kirchler & Berger, 1998; Webley, Cole, & Eidjar, 2001), while altruistic orientation and community values advance tax compliance (Blamey & Braithwaite, 1997; Braithwaite, 2003a). Honesty as a strong personal value (Porcano, 1988) as well as religious beliefs (Grasmick, Bursik, & Cochran, 1991; Stack & Kposowa, 2006; Torgler, 2003b, 2006) have a positive effect on tax compliance. Empirical studies also show that tax compliance is related to political affiliation: People favoring parties with social democratic values tend to comply more than people voting for liberal parties (Wahlund, 1992). Finally, taxpayers with strong values for cooperation, who anticipate shame and guilt in case of norm violation, are more compliant than taxpayers who do not anticipate these feelings (Grasmick et al., 1991).

Social norms are rooted in socially shared beliefs about how members of a group should behave (Fehr, Fischbacher, & Gächter, 2002; Fehr & Gächter, 1998). Individual behavior is regulated by the norms developed and accepted in a society,

and by approval or disapproval of norm-following or norm-breaking, respectively (Alm, McClelland, & Schulze, 1999). With regard to tax behavior, a field experiment conducted by Wenzel (2005a) showed that social norms regulating compliance are based on perceived frequency of avoidance or evasion and societal acceptance of evasion. Other studies found that communication about correct tax behavior, and disapproval of noncompliance lead to tax honesty (Alm et al., 1999; Trivedi, Shehata, & Lynn, 2003; Wenzel, 2005b).

Sigala, Burgoyne, and Webley (1999) found that social norms are one of the most important predictors of tax compliance. Depending on perceived evasion in one's reference group, such as professional groups, friends, and acquaintances, and acceptance of evasion, taxpayers comply with tax law or develop a more lenient tax behavior (e.g., Porcano, 1988; Welch, Xu, Bjarnason, & O'Donnell, 2005), and perceive tax evasion as minor crime (Welch et al., 2005). These results suggest that normative appeals to comply may be of high relevance to increase tax compliance within a society (Schwartz & Orleans, 1967; Spicer & Lundstedt, 1976).

The relation between strong social norms to comply and actual compliance is mediated by people's attachment to their reference group or the society (Wenzel, 2004). This empirical finding is in line with self-categorization theory (Turner, Hogg, Oakes, Reicher, & Wetherell, 1987), which assumes that individuals are more likely to be influenced by the norms established by their group if they consider the group to which they belong as highly relevant for their self-image and if they identify with their group. Communication of social norms

held by citizens, stressing the importance of correct tax filing as a civic duty, was effective for shaping the tax compliance of Australian taxpayers.

Societal norms of tax behavior are reflected partly in tax laws, and partly in tax morale and civic duty. Tax morale is defined as the aggregated attitudes of a group or population to comply with tax law (Schmolders, 1960). Tax morale is linked to the motivational concept of civic duty: Individuals are not solely motivated by maximization of their own well-being but also by a sentiment of responsibility to society (Orviska & Hudson, 2002). People with a high sense of civic duty comply with tax law because of their intrinsic motivation, not because they are forced by sanctions and audits (Frey & Eichenberger, 2002). Results on tax behavior in different countries highlight the importance of societal norms, as indicated by the studies confirming national differences conducted by Alm, Martinez-Vazquez, and Schneider (2004), Alm, Sanchez, and deJuan (1995), Alm and Torgler (2006), Chan, Troutman, and O'Bryan (2000), Gërkhani (2004), Gërkhani and Schram (2006), Schneider (2004), Torgler (2003a), and Torgler and Schneider (2007).

Fairness

Fairness is related to the perceived balance of taxes paid and public goods received, and to the perceived justice of procedures and consequences of norm breaking. Wenzel

Table 1. Distributive justice, procedural justice and retributive justice by individual, group and societal level (Wenzel, 2003, p. 49 ff.)

Level of analysis	Societal level	Group level	Individual level
<i>Distributive justice in tax research</i>			
Tax burdens	tax level; distribution; progressivity	in-group's tax burden; compared to other groups; other times; its relative income	personal tax burden; compared to others; other times; one's relative income
Tax based benefits	level of spending; efficiency; distribution over different policies	in-group's benefits; compared to other groups; other times; its relative income	personal benefits compared to others; other times; one's relative taxes
Avoidance/evasion opportunities	level; distribution of opportunities	in-group's options relative to other groups	personal options compared to others; other times
<i>Procedural justice in tax research</i>			
Interactional treatment	rights for taxpayers and service standards	respect for the in-group; consistency relative to other groups	respect for the individual; consistency relative to other individuals
Process and decision control	consultation of taxpayers in general; democratic structures	voice; control, consultation and representation of in-group	voice; control; consultation of individual
Information and explanation	transparency; presentation in media	explanation and justifications for decisions affecting the in-group	explanations and justifications for decisions affecting the individual
Compliance costs	administration and compliance costs; complexity of the tax system	efficiency; service versus costs for the group	efficiency; service versus costs for the individual
<i>Retributive justice in tax research</i>			
Penalties	severity of penalties; distribution penalties for different offences; quality of penalties	appropriateness of penalty for in-group (relative to the offence, others)	appropriateness of penalty for individual (relative to the offence, others)
Audits	rigidity or inconsiderateness of audits in general	rigidity or inconsiderateness of audit for in-group case	rigidity or inconsiderateness of audit for individual case

(2003) extensively discusses distributive justice, procedural justice, and retributive justice as various types of fairness in the context of tax behavior. Summary descriptions are presented in Table 1.

Distributive justice concerns a fair exchange of resources, benefits, and costs, and is distinguished as horizontal, vertical, and exchange fairness (Kirchler, 2007). Horizontal fairness is related to a fair distribution of benefits and costs within one's income group. Vertical fairness is related to the distribution of benefits and costs across income groups. Finally, exchange fairness is related to the taxpayer's tax burden and the provision of public goods by the government. Empirical studies on tax compliance and fairness consistently show that fairness is among the most relevant determinants of compliance. Research on horizontal fairness showed that citizens who feel treated disadvantageously compared to other taxpayers are more likely to evade taxes (e.g., Spicer & Becker, 1980). Citizens who complain about vertical fairness between groups (e.g., rich vs. poor people) tend to evade taxes more than citizens who perceive high vertical fairness (Kinsey & Grasmick, 1993; Roberts & Hite, 1994). Tax evasion is also related to taxpayers' dissatisfaction with the provision of public goods by the government. The more taxpayers perceive their contributions as being unbalanced regarding the provision of public goods, the less they are willing to comply (Spicer & Lundstedt, 1976; see also Alm, Jackson, & McKee, 1993; Porcano, 1988; Pommerehne & Frey, 1992).

Procedural justice concerns the process of tax collection and resource distribution. It was found that procedural justice is perceived as being high when individuals perceive the rules applied by the government as fair (Tyler, 2001). By extension, it can be assumed that this also applies to tax authorities in particular, and that treatment by tax authorities should be friendly, respectful, and supportive. In line with this argument, if tax law favored particular income groups relative to others and treatment of different groups was not neutral, procedural fairness was perceived as low (Murphy, 2003). Fairness perceptions have been found to be enhanced by the provision of information on tax law (Wartick, 1994), as well as by participation in the development of tax law and in decisions on the use of tax revenues (Torgler, 2005). Fair treatment of taxpayers and a culture of mutual understanding between tax authorities and taxpayers were found to improve trust in authorities (Feld & Frey, 2002; Job & Reinhart, 2003; Wenzel, 2006). It was shown that if tax authorities are perceived as supportive and trustworthy, tax compliance increases (Kirchler, Niemirowski, & Wearing, 2006).

Retributive justice concerns the perceived fairness of norm-keeping measures, e.g., audit and punishment. Concerning tax behavior, empirical results show that high retributive justice prevails when taxpayers agree with governmental tax audits and with the penalties for tax evasion. Inconsiderate audits and unfair penalties lead to negative attitudes toward tax authorities (Spicer & Lundstedt, 1976). However, universal rules for fairness of penalties are diffi-

cult because people take the causes for tax evasion into account when deciding on punishments (Kaplan, Reckers, & Reynolds, 1986). Policies and measures used by tax authorities for fiscal reasons can turn out to be detrimental to perceived retributive justice. For example, tax amnesty is a highly disputed measure with regard to retributive justice and fair treatment of taxpayers. Tax amnesties allow tax evaders to retroactively file their taxes without being punished, leading to higher tax revenue. However, tax amnesties can have negative effects on the compliance of honest taxpayers who feel materially disadvantaged (Hasseldine, 1998; Sausgruber & Winner, 2004).

Although most empirical results support the relation between fairness and tax behavior, some caveats remain. First, the causal relation is unclear. Self-reports of perceived inequity could be stated as *ex post facto* rationalization to justify tax evasion (Falkinger, 1988). Second, moderator variables need to be considered. For example, the empirical effect of the perceived justice of one's tax share and participation in public goods on tax behavior is moderated by the importance of equal inputs and outputs (Kim, 2002); Distributive justice has a higher relevance for taxpayers who care strongly about receiving public goods equivalent to their tax payments than for other taxpayers. Another empirically tested moderator variable is social and national identity. Tax compliance increases if taxpayers identify with their social category and with their nation, and if they perceive procedural and distributive justice to be high (Wenzel, 2002).

Motivational Postures

Motivational postures represent taxpayers' willingness to comply or not to comply, originating from an aggregation of subjective knowledge and constructs, socially shared beliefs, and evaluations of tax issues. They integrate taxpayers' beliefs, evaluations, and expectations regarding tax authorities, and also taxpayers' activities deriving from these beliefs, evaluations, and expectations (Braithwaite, 2003a). Motivational postures comprise the above discussed topics of knowledge, evaluation, norms, and fairness perceptions on the individual level and are aggregated on the group and societal level to tax morale and civic duty.

Braithwaite (2003a) distinguishes five motivational postures that guide tax behavior. (a) Commitment describes a positive orientation toward tax authorities. Committed taxpayers feel a moral obligation to pay their share and to act in the interest of the collective. (b) Capitulation describes acceptance of the tax authorities who hold legitimate power to pursue the collective's goals. Authorities are seen to act in a supportive way as long as citizens act according to the law. (c) Resistance describes a negative orientation and defiance. The authority of tax officers is doubted and their acts are perceived as controlling and dominating rather than as supportive. (d) Disengagement also describes a

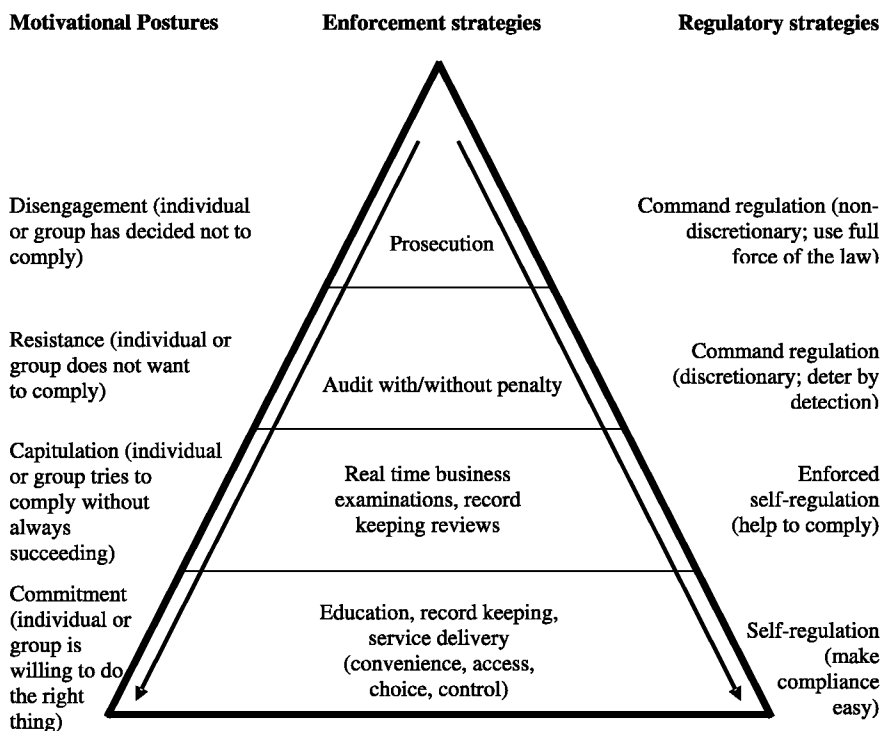


Figure 1. Australian Taxation Office compliance model adapted from Braithwaite (2003b, p.3) and James, Hasseldine, Hite, and Toumi (2003).

negative orientation and correlates with resistance. Citizens keep socially distant from authorities and have moved beyond seeing any point in challenging tax authorities. (e) Game-playing describes a view of law as something that can be molded to suit one's own purposes rather than as a set of regulations that should be respected as a guideline of one's actions. In tax behavior, game-playing refers to "cops-and-robbers" games with taxpayers searching loopholes for their advantage and perceiving tax officers as the police who engage in catching cunning tax evaders. While commitment and capitulation describe rather favorable attitudes toward tax authorities, resistance, disengagement, and game-playing reflect a negative orientation toward tax authorities.

Empirical research on motivational postures showed that different postures can be held simultaneously and they can change over time (Braithwaite, 2003a). Depending on the relationship between taxpayers and tax authorities and the government and changing social norms, taxpayers change their motivational postures.

Motivational postures need to be considered by governments to understand taxpayers' sentiments, and to successfully conceptualize communication programs and training of tax officials in order to increase tax compliance. The Australian Taxation Office compliance model (Braithwaite, 2003b) pictures how tax authorities should appropriately respond to taxpayers holding particular motivational postures; it is depicted in Figure 1. For four motivational postures the model offers enforcement strategies ranging from prosecution to education and service delivery, and additionally suggests adequate regulatory strategies ranging

from command-regulation to self-regulation. For example, tax evasion conducted in a motivational posture of commitment should be answered with education, record-keeping, and service. The idea is that the tax evasion was an unintentional error, and self-regulation would be an efficient strategy. On the other extreme, tax evasion conducted in a motivational posture of disengagement should be answered with prosecution, and with a strategy of command regulation.

Conclusion and Implications

The present review shows that taxpayers' willingness to cooperate is not only influenced by audits and fines, but also by a number of internal variables. Both theoretical studies and empirical research show consistently that audits and fines are not sufficient to understand tax behavior. We argue that knowledge and evaluation of taxation, of norms, of fairness, and of motivational postures are related to trust in the tax authorities. In the following section, we develop some suggestions for tax compliance programs building on the above reviewed research and trust in tax authorities.

Some tax compliance programs simply focus on the accomplishment of more audits and severe punishment, but tax research supports a multifaceted approach (Alm & Torgler, 2006; Kirchler, 2007). Such an approach includes consideration of audits and punishment and additionally of concepts to improve taxpayers' knowledge of tax law, to form more positive attitudes toward tax issues, and to en-

hance fairness perceptions. There are different ways for tax authorities to realize such programs.

Programs should aim at improving taxpayers' knowledge of tax law. Findings that more than average schooling is necessary to understand tax law (Lewis, 1982) and that the help of tax practitioners is required to file taxes (Blumenthal & Christian, 2004) show that it is essential to simplify tax law. John Braithwaite (2005) argues for a complete reformation of the law, and proposes to integrate specific rules into principles to avoid the following negative dynamics: "[a] smorgasbord of rules engenders a cat-and-mouse legal drafting culture – of loophole closing and reopening by creative compliance" (p. 147). The prescription of overarching principles that serve to clearly guide behavior would prevent many such "games." For common transactions and for very complex areas of tax law, rules should be formulated; however, if a rule is in contest with an overarching principle, the principle is binding.

It is also necessary to provide understandable arguments for specific changes of the tax law. For example, people seem to have difficulty understanding flat and progressive tax systems (Roberts et al., 1994). Communication programs should consist of different schemes on societal, group, and individual levels. On the group level, brochures and courses on tax law for specific groups (e.g., free lancers, families, etc.) can improve tax knowledge in those areas that are particularly relevant for a specific group of taxpayers. On the individual level, "open house" events where tax officers advise taxpayers free of charge on their tax statements can improve taxpayers' knowledge of the taxes important to them. Additionally, they would build mutual trust between taxpayers and tax officers and improve attitudes toward tax authorities.

Programs should also focus on the structure of knowledge and attitudes, because the fact that taxes are viewed as a burden and as money lost (Kirchler, 1998), that tax evasion is viewed as a minor crime (Song & Yarbrough, 1978; Vogel, 1974), and that tax evaders are viewed as intelligent (Kirchler, 1998), are destructive for tax compliance. Such an attitude is the base for social norms accepting noncompliance. Normative appeals (Spicer & Lundstedt, 1976) can contribute to more positive attitudes. On the societal and the group level, image campaigns to improve attitudes toward tax issues are needed. They could focus on a negative image of tax evasion by presenting the negative effects of a lack of government funds, such as a bad school system, broken-down roads, and an insufficient health system and, thus, induce feelings of shame and guilt in tax evaders that should, according to empirical findings (Grasmick et al., 1991), lead to more compliant behavior. Based on other research (Job & Reinhart, 2003; Tyler, 2001; Wenzel, 2006), campaigns also should concentrate on the improvement of trust in authorities to enhance citizens' cooperation; they should highlight that tax authorities are service-oriented partners to ensure funding for necessary public goods and to help with correct tax filing. Finally, a campaign to increase identification with the state – in the sense of it being a community of citizens – and to generate a

feeling of belonging between taxpayers should be conducted, because, as was shown (Wenzel, 2002), identification increases tax compliance. On the individual level, mutual understanding improves tax compliance (Job & Reinhart, 2003; Tyler, 2001; Wenzel, 2006). Such understanding could be achieved by cooperative and personal contact with tax authorities. According to empirical findings by Grasmick et al. (1991), the anticipation of shame and guilt if tax evasion is made public, e.g., via media, should also further tax compliance. Moreover, shaming and blaming could be measures to increase restorative fairness rather than punishment, a measure for retributive justice that might exclude taxpayers from the community and favor further noncooperation (Kirchler & Mühlbacher, 2008; Wenzel & Thielmann, 2006). Nevertheless, when considering making tax evasion public, authorities have to be aware of ethical questions such as infringement of data protection and privacy rights.

Programs should also aim at improving fairness perceptions on different levels. Violations of horizontal, vertical, and exchange fairness, of procedural fairness, and retributive fairness decrease tax compliance (Andreoni et al., 1998; Kirchler, 2007). Conversely, stronger feelings about the legitimacy of political institutions lead to higher tax morale and enhance tax compliance (Torgler & Schneider, 2007). Perceptions of fairness and commitment to tax law can be reached with direct democracy (Frey & Eichenberger, 2002; Kirchgässner, Feld, & Savioz, 1999), giving taxpayers the possibility to participate in tax law changes and to assign collected taxes to different governmental projects. On an individual level, trust between taxpayers and tax officers should be established, because mutual understanding of each others' goals increases the perception of fairness and, therefore, also tax compliance as has been shown by Job and Reinhart (2003) and Wenzel (2006). James and Alley (2002) argue that training for tax officers that concentrates on respectful treatment of taxpayers can support the development of the relationship. Respectful treatment would include that tax officers would see it as their task to advise taxpayers and to perceive taxpayers as cooperative individuals and not as savvy utility maximizers searching for loopholes to escape the law.

In conclusion, external measures to reduce tax avoidance, such as audits and fines, may be effective if tax authorities and taxpayers perceive each other as competing parties. If, however, tax authorities and taxpayers perceive each other as cooperating and pursuing similar community goals, internal variables are assumed to be more important in shaping taxpayers' willingness to cooperate (Kirchler et al., 2008). Variables such as taxpayers' knowledge of tax law, their attitudes toward the government and taxation, personal norms, perceived social norms and fairness, as well as motivational tendencies to comply are psychological determinants leading to and underlying voluntary compliance, whereas effective audits and fines may guarantee enforced compliance, and run the risk of destroying existing voluntary compliance.

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