

dr Monika PASTERNAK-MALICKA

Rzeszow University of Technology

e-mail: malicka@prz.edu.pl

ORCID: 0000-0002-0011-7626

dr Tomasz DĘBOWSKI

University of Białystok

e-mail: t.debowski@uwb.edu.pl

ORCID: 0000-0002-3005-0485

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## MORAL STANCE AND REACTIONS OF TAXPAYERS TO THE TAX OBLIGATION<sup>1</sup>

### Summary

*Purpose* – The aim of the article is an attempt to assess the tax morale of households and their consent to tax evasion.

*Research method* – The implementation of the aim required the use of a direct method – questionnaire. The results of empirical studies from years 2009–2023 carried out in the Podkarpackie Voivodship are presented.

*Results* – The publication describes the essence of tax morality, as well as taxpayers' reactions to fiscal burdens. Fragments of own survey research from years 2009–2023 on the analysed issue are also presented.

*Originality/value/implications/recommendations* – The obtained results of own research and data taken from reports of other research centres seem to indicate a significant social consent to tax fraud. In the future, it is necessary to continue research in the marked area.

**Keywords:** personal finance, tax evasion, tax morale, tax fraud

**JEL classification:** A11, H2, H8, J2

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## 1. Introduction

Taxes have been accompanying man for thousands of years and since the beginning of their existence, they have aroused social reluctance as a form of interference in the freedom of a citizen. In their construction, fiscal burdens force the taking over a part of household income or assets, which is why they are often perceived as benefits limiting consumption, investments and individual freedom. A tax devoid of neutrality generates economic and social effects, and thus significantly determines the behaviour of market participants.

The consequence of the state's interference in property relations is the reaction of taxpayers to the duty. The mechanism that triggers specific behaviours are attitudes towards taxes. They are different – from honest people who pay taxes to dishonest people who consciously or unconsciously avoid paying taxes. The vast majority of taxpayers, if they have such opportunities, actively defend themselves against tax burdens. Among the reactions aimed at reducing fiscal liabilities, the most common are tax avoidance and evasion [Szafoni, 2020]. In a broader sense, several types of taxpayers' behaviour are mentioned: tax savings, tax optimisation, tax avoidance and tax law circumvention [Jankowski, 2019]. Among the forms of behaviour aimed at reducing fiscal burdens from the perspective of acceptability by the legislator, there are advanced tax planning, tax optimization and tax avoidance. Escape from tax, on the other hand, can take the following forms: avoidance, abuse, evasion and fraud [Klonowska, 2017].

M. Pietrewicz extracts six reactions of taxpayers [Pietrewicz, 1993]:

- adjusting to the tax, i.e. meeting the tax obligation,
- tax shifting,
- legal tax avoidance,
- catching up of tax,
- illegal tax evasion,
- withdrawing from activities subject to taxation.

The above-mentioned reactions of taxpayers depend to a large extent on their tax morale, and its formation is influenced by external factors related to the quality of tax law, the amount of fiscal burdens, the effectiveness of tax inspections, as well as internal factors resulting from civic awareness, personal and economic situation of the taxpayer, willingness to take risk, etc. The publication deals with the subject of tax morale in relation to social acceptance of tax fraud. The first part of the article describes the essence of tax morale. Fragments of own survey research conducted in the Podkarpackie Voivodeship in the years 2009–2023 regarding the researched issue are also presented. The aim of the article is an

attempt to assess the tax morale of households and their consent to tax evasion based on own research. The implementation of the aim required the use of a direct method – a questionnaire.

## 2. Tax morale in the literature of the subject

The concept of tax morale was introduced in 1960 by G. Schmöders, who defined it as “the attitudes of a group or the entire population of taxpayers regarding the issue of meeting or neglecting tax obligations, fixed in the tax mentality and civic awareness” [Kichler, 2007]. Morale is also understood as an internal motivation to pay taxes [Alm, 2006].

The morality of the taxpayer consists in the individual reaction of a given person to tax burdens [Bogacka-Kisiel, 2012]. It requires that the taxpayer’s action corresponds to his internal conviction, hence it can be treated as internal acceptance (or lack thereof) of the tax obligation and recognition of the fiscal sovereignty of the state [Gomułowicz, 2004]. Tax morale means the willingness to pay taxes and also determines the degree of citizens’ trust in the government, which affects whether taxes are paid in the right amount [Kędrzyński, 2020].

In the literature on the subject, tax morale is also called the taxpayer’s ethics, which is defined as a set of moral norms adopted in a given community and concerning the taxpayer’s attitude towards paying mandatory fees to the state budget [Szulc, 2013]. Tax morale is based on ethical principles and indicates standards of conduct. It results from the sense of duty towards society and the citizen’s tax awareness [Florek, 2021].

Tax morale refers to individual reactions to taxation, means it reaches the conscience of the taxpayer. The tax affects not only the reduction of consumption, but in a sense, in the case of natural persons, the limitation of their subjective rights. Therefore, it should be aware that the tax is accompanied by a tendency to evade it. The ingenuity of taxpayers is extremely developed in this respect and may take the already mentioned form of legal or illegal evasion of fiscal payments [Komar, 1996].

There is a difference between morale and tax evasion. Tax evasion is an individual’s behaviour and tax morale is an attitude [Schneider, 2007]. Nevertheless, the level of tax morale has a strong impact on the behaviour of taxpayers, including the scale of tax fraud [Torgler, 2007].

The tax morale of households is influenced by such elements as: the construction of the tax system [Szczodrowski, 2007], the application of law [Skoli-

mowska, 2021], the way the tax administration proceeds, the effectiveness of tax control [Gomułowicz, 1996], the way public funds are managed [Lotko, 2017], religiousness, e.g. in the doctrine of the Catholic Church, paying taxes is a civic duty [Król, 2018].

Tax evasion sometimes results from the assessment of fiscal burdens such as robbery, associated with the tyranny of government. The socio-psychological aspect of tax evasion is the problem of assessing priority. Many entrepreneurs claim that the role of economic activity in society is purely economic. They believe that “business should only create high income. This is all that is required of it, without specifying the methods of achieving this effect. In business, ethics is not the main motive for action, especially since it very often becomes an obstacle to achieving goals” [Taranow, 2001]. Often, tax evasion is morally justified by the fact that no one specific suffers as a result of this act, because the state is perceived as such an abstract category that commonly understood honesty and decency cannot refer to such a non-specific concept [Kuzińska, 2018].

### 3. Tax morale and empirical research

Research on the problem of tax morale in the empirical aspect is an extremely difficult and complex issue. Attempts to carry them out were made at the turn of the 20th and 21st centuries. In the countries where the research was conducted, the responses of taxpayers indicated that the assessment of tax fraud is neutral or quite mild in social perception. Respondents believed that when calculating the tax, measures on the borderline of the law should be used to minimise the tax burden [Klein, 1997].

Research conducted in 2005 shows that the tax morality of households in the United States is much higher than in Spain, as well as in 14 other European countries surveyed [Alm, 2006]. Although it is emphasised that Americans are traditionally honest taxpayers, tax morale in this country has suffered as a result of the declining economy, restrictive fiscal regulations and growing doubts about the fairness of the tax system. Tax-paying citizens stopped believing that in return they would receive benefits from the state in the form of infrastructure development, health care and retirement security [Jacob, 1995].

Research on Switzerland conducted in the first decade of the 21st century shows that in this country taxpayers and public authorities are linked by a kind of “psychological tax agreement” inducing all citizens to pay taxes. It is the result of a close bond between society and the state. This is facilitated by a well-developed

system of direct democracy and a small area of the country's regions, which are cantons [Feld, 2006]. Similarly in Sweden, where despite the high tax burden, the scope of the shadow economy is small. Swedes are characterised by a high level of social awareness and attitude to civic duties.

The attitudes of Polish taxpayers are different. In a survey conducted by the Pentor Institute in the 1990s, covering a representative group of a thousand people, as many as 28% of respondents, mainly young (under 30) and private entrepreneurs, believed that tax evaders act like the majority of the population, that such behaviour is commonplace. Every tenth respondent considered such people courageous and entrepreneurial. Less than half of the respondents (48%) classified entities hiding their income and avoiding paying taxes as fraudsters and criminals [Kruszewski, 1992].

It does not arouse negative feelings among Poles when someone violates the common good by avoiding paying taxes. A significant part of society considers tax evasion to be a commonly accepted phenomenon and to be approved of. The decrease in sensitivity is visible in all social groups, but the basic determinant is the level of education [Świecka, 2008]. The youngest Poles are the least sensitive to reprehensible tax behaviour, and people close to retirement age (45–64) are the most sensitive. The least sensitive to disregarding the tax obligation are people living in rural areas, the poorest, with the lowest education [Czapiński, 209]. It is indicated that women are characterised by higher tax morality than men [Florek, 2021; Szarek, 2016].

The moral assessment of tax evasion does not always have to be unambiguous. In the Catechism of the Catholic Church, tax fraud is considered morally wicked, but the circumstances in which the tortious act takes place become more important. These conditions affect the lack of a negative assessment. A. Bernal's questionnaire surveys indicate that the moral assessment of tax evasion is closely related to the reasons inducing the taxpayer to commit fraud. According to the respondents, the circumstances in which taxes are imposed, measured and collected may relieve taxpayers from the moral obligation to pay tax [Bernal, 2008]. Tax morale also changes in the event of difficulties in finding a job – over 72% of respondents would then decide to work without a contract [Szarek, 2016].

The results of research in the psychology of M. Niesiołowska indicate that the tax morale of Poles depends primarily on the subjective assessment of procedural fairness. The taxpayers' belief that the applicable tax rates allow for the correct distribution of tax burdens between individual tax groups and that tax offices are friendly and honest makes taxpayers less accepting of tax fraud. The

tendency to evade taxes increases as the sense of justice decreases. Evasion in such conditions may be seen as the right action in the wrong cause [Niesiobędzka, 2009]. Research shows that taxpayers' reactions are also affected by the type of perspective – whether the respondent expects a refund of overpayment or has to pay underpaid tax advances. In the light of the obtained results, it can be concluded that the tightening of penal and fiscal sanctions and the frequency of inspections were effective in the group of people with low tax morale. Among honest citizens, it could have the opposite effect – emphasizing factors demonstrating the power of the tax authorities could be considered a sign of suspicion and placing taxpayers in the role of “fraud” [Niesiobędzka, 2016; Niesobędzka, 2014].

#### 4. Perception of tax morale in the point of own research

In this part of the article, the results of own research on the described issue are presented. The survey was conducted on a target sample of 686 households in May 2009, 1084 households in April and May 2010, 1201 households in May 2011, 1230 households in January 2012, 1128 households in January 2013, 857 households in January 2014, 852 households in January 2015, a sample of 686 households in May 2009, 1084 households in April and May 2010, 1201 households in May 2011, 1230 households in January 2012, 1128 households in January 2013, 857 households in January 2014, 852 households in January 2015, 1,103 households in January 2016, 1,038 households in January 2017, 883 households in January 2018; 975 households in January 2019; 758 households in January 2020, 673 households in January 2022 and 647 households in January 2023. Interviews were sent every year to different, randomly selected households. They were carried out in the Podkarpackie Voivodeship, where 2,085 thousand people live, including 1,248 thousand people of working age. Men constitute 48.96% of the population; people living in cities constitute 41.2% of the population (58.8% live in rural areas). The unemployment rate among men is 5.5%, while for women it is lower – 5.3%. The average monthly disposable income per person in a household in the Podkarpackie Voivodship was PLN 1,829 in 2021 [Statistical Yearbook, 2022]. The surveys were addressed to the inhabitants of the Podkarpackie Voivodeship over 20 years of age (the largest group were people aged 36–50 – 23%; aged 26–35 – 21.4%) with varying income levels (from PLN 600 to over PLN 2,000 per person in the household) and standard of living. Respondents participating in the study were people with diverse edu-

cation (people with higher education – 28% and secondary and post-secondary education – 42.5%). Urban residents accounted for 49% of people participating in the study, and rural residents – 51%. As part of our own research conducted in years 2007–2023, respondents were asked about their opinions about tax fraud in Poland.

In the social perception, the state is anonymous, and this may lead to the conclusion that not paying the duty in the due amount, is not causing loss to anyone. The tax is a non-equivalent benefit, which means that the taxpayer does not receive any direct benefit in return.

Own research conducted in 2009–2023 confirms that tax fraud is not negatively assessed by a large part of the population. Table 1 presents the structure of responses to the question about the opinion on concealing income.

Between 2009 and 2023, almost every third person accepted that such behaviour should be condemned, in 2013 and 2022, every fourth person was of this opinion. Every year, nearly 40% of respondents justified tax fraud with high taxes. Variable tax awareness may be evidenced by varying social acceptance of tax fraud, ranging from 47.4% (2013) to 31.9% (2019). There is also a noticeable increase in the percentage of people (from 4.8% in 2009 to 8.0% in 2023) who approve of concealing income, considering it a sign of resourcefulness in life.

TABLE 1

Structure of answers to the question: What do you think about cases where people conceal part of their earnings in order to reduce the taxes they pay?

Opinion about concealing earnings	Percentage structure in years 2009–2015						
	2009	2010	2011	2012	2013	2014	2015
This should be condemned as it is cheating the state	28.5	28.6	28.8	26.9	24.9	26.6	23.4
This should be forgiven because the taxes are too high	39.6	47.5	45.6	43.2	47.7	43.4	46.0
This should be commended as a sign of resourcefulness	4.8	4.8	7.5	5.5	6.6	7.7	5.2
Hard to say	24.4	17.8	17.3	23.5	20.2	21.8	25.4
No answer	2.7	1.4	0.7	1.0	0.6	0.5	0.1

Opinion about concealing earnings	Percentage structure in years 2016–2023						
	2016	2017	2018	2019	2020	2022	2023
This should be condemned as it is cheating the state	27.9	30.4	27.7	39.4	33.6	24.52	28.1
This should be forgiven because the taxes are too high	41.1	40.2	39.3	31.9	34.7	38.63	36.6
This should be commended as a sign of resourcefulness	10.1	6.8	6.0	3.5	4.1	5.05	8.0
Hard to say	20.9	22.0	26.8	25.1	27.6	31.80	27.0
No answer	0.2	0.6	0.1	0.1	0	0	0.2

Source: authors' own calculations based on the survey in the Podkarpackie Voivodeship.

TABLE 2

Structure of answers to the question: How do you assess attempts to evade tax?

Opinion	Percentage structure in years 2013–2023									
	2013	2014	2015	2016	2017	2018	2019	2020	2022	2023
I accept	10.2	9.7	11.7	9.9	15.3	12.9	8.7	7.3	11.14	8.7
Justifiable when the family has no money	46.1	44.9	53.6	43.8	39.7	40.4	42.2	39.3	41.46	36.8
Unacceptable	20.1	20.1	15.6	23.6	20.7	20.0	25.5	25.7	17.68	21.2
I have no opinion	21.5	21.8	18.7	21.9	23.7	26.5	22.9	27.6	29.72	32.3
No answer	2.1	2.8	0.4	0.8	0.6	0.1	0.7	0.1	0.00	1.1
IN TOTAL	100	100	100	100	100	100	100	100	100	100

Source: authors' own calculations based on the survey in the Podkarpackie Voivodeship.

Tax morality is influenced by the social perception of the state as an anonymous institution, which gives rise to the belief that no one is harmed as a result of tax fraud. The assessment of an attempt to evade tax was supported by nearly 10% of the respondents for most of the survey period (Table 2). In the initial years, almost half of people justified evasion of paying fiscal dues by the poor financial

situation of the household, but based on the latest research results from January 2023, there is much less support for tax fraud, explained by the lack of means of subsistence (only 36.8%). Perhaps this was due to the better economic situation in that period. Since 2020, when COVID-19 appeared and restrictions related to it, the percentage of respondents willing to justify tax cuts resulting from poverty has increased. In 2013, only every fifth person considered tax evasion unacceptable, in 2019–2020 it was every fourth person, in 2022 – 17.7%, and in 2023 – 21.2% of the respondents considered it unacceptable to break the tax law. The lowest percentage of people confirming this view (15.6%) was recorded in 2015.

## 5. Summary

The existence of a tax system and taxes stimulates the search for forms and means that enable effective avoidance of the tax obligation. The characteristic and repetitive pattern of conduct is also timeless – successful attempts to reduce the tax liability trigger preventive actions by the tax administration. It seems that taxpayers' reactions will often continue to aim at minimising the taxes paid.

Mental reluctance to pay taxes results from the natural human instinct to maximize one's wealth and income. At the same time, civic awareness can reduce the propensity for fiscal abuses and improve tax morale. Tax morale is the internal acceptance of a person to fulfil the tax obligation. Taxpayers' behaviour is influenced by social, cultural, psychological and economic conditions. Honesty towards both the state and other taxpayers is a value in itself. The literature indicates that citizens are more willing to pay taxes honestly, the more honest the state is towards them and the clearer it allocates public funds.

In the light of the empirical research, it can be concluded that since 2020, the belief that tax fraud is a sign of resourcefulness has been growing again, and at least 40% of people are looking for an explanation, either in the amount of fiscal burdens or the lack of means of subsistence. As research shows, a situation in which a household's income decreases is a sufficient justification for tax evasion for many of the respondents. The deterioration of living conditions resulting from COVID-19 and the Russian-Ukrainian conflict has reduced tax morality and increased social acceptance of fiscal abuses. The percentage of people praising concealing earnings and avoiding taxation increased, emphasizing it as a sign of resourcefulness. It can be assumed that greater legal and civic awareness as well as educational influence on taxpayers would bring positive effects in terms of improving tax morality. The authors intend to conduct this type of research in the near future.

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