



Ethical Attitudes toward Tax Evasion: A Cross Cultural Study between Turkey and Australia

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Abstract

Although many studies have been done on tax compliance, very few have examined compliance, or rather noncompliance, primarily from the perspective of ethics. Most studies on tax evasion look at the issue from a public finance or economics perspective, although ethical issues may be mentioned briefly, in passing. Thus, there is a need for further research, which the present study is intended to partially address. This paper reports on the ethics of tax evasion opinions of Turkish and Australian students and a comparative study is conducted accordingly to find out if cultural differences may explain the differing perceptions of tax evasion.

A survey was constructed and distributed to group students Karadeniz Technical University, Eskişehir Osmangazi University and Giresun University in Turkey (N= 291) and Monash University, Australia (N= 211) in order to ascertain their views on the ethics of tax evasion. These two groups of respondents were selected because their views represent the perceptions from two different cultures. To determine their perceptions on tax evasion issues, students were requested to state their level of agreeableness (on a 7-point Likert scale, 1 = strongly agree, 7 = strongly disagree) to 18 general statements that provided differing scenarios in the socio-economic environment. The statements in the survey reflected the three main viewpoints on the ethics of tax evasion, (a. tax evasion is always or almost always ethical; b. tax evasion is sometimes ethical; c. tax evasion is never or almost never ethical) that have emerged over the past centuries.

The results of the study show that although Turkish scores are significantly different from the Australian scores, both Turkish and Australian respondents believe that tax evasion can be ethically justifiable in certain situations, although some arguments are stronger than others.

Introduction

An examination of the tax evasion literature reveals that culture plays an important role in determining the views and opinions of taxpayers. There have been a number of studies that have focused on tax evasion in a particular country but few that have encompassed comparative studies. In some of the previous studies ethics are sometimes discussed but, more often than not, the focus of the discussion is on government corruption and the reasons why the citizenry does not feel any moral duty to pay taxes to government. Most studies on tax evasion tend to look at issues from a public finance or economics perspective, although ethical issues may be mentioned briefly, in passing. It is also evident that some previous studies, (Gupta and McGee, 2010) while comparing the ethical views of citizens from different countries have not taken into account genuine differences in culture, religion and legal systems.





This pilot study aims to overcome this gap by presenting the preliminary results of an empirical investigation into the views and opinions of both Australian and Turkish tax law students, regarding the ethics of tax evasion as well as their related beliefs and values. In comparing Australia and Turkey, the Australian legal system is based on common law while Turkey is a civil law jurisdiction. Likewise Australian society is of predominately Christian belief while Turkey is predominately of Muslim belief. Australian culture is predominately of Anglo-Saxon origin although arguments could be mounted for a more multi-cultural society nowadays while Turkey has strong European and Middle Eastern ties.

Thus, there is a need for further research, which the present study is intended to partially address. Collaboration between Monash University in Australia and Inonu University in Turkey was established to conduct the research. This paper reports on the ethics of tax evasion based on the opinions of Turkish and Australian tax students and compares their views to determine whether cultural differences may explain the differing perceptions of tax evasion. For the purposes of this study tax evasion is defined as intentional illegal behavior, or as behavior involving a direct violation of tax law to escape the payment of tax (IBFD, 2001).

Following the introduction in part one of the paper part two briefly reviews the literature on the ethics of tax evasion, based on the three main viewpoints which have emerged over the past few centuries. Part three proceeds to outline the methodology which was employed in this study. Part four presents the statistical results of the surveys, including a reliability analysis, demographics and t-tests employed. Part five provides a comparison of the two groups of respondents and summarizes the main research findings. Finally part six, notes the study's conclusions, limitations and offers some suggestions for further research.

Literature Review

Historically, there have been three main views on the morality of tax evasion (McGee, 1994, 2006, 2012a&b; Crowe, 1944). At one extreme is the view that one has an absolute duty to pay whatever taxes the government demands. Several justifications have been given for this position. One justification is that whoever is the king/leader is there with God's permission (McGee, 1994, 2012a). The failure to support any leader appointed by God amounts to disobeying God. This view has fallen out of favor in recent centuries, as fewer and fewer people believe that political leaders are there only because of God's approval.

Another reason why some individuals believe there is an absolute duty to pay whatever taxes the government imposes is because, in a democracy, the leaders are elected and the people consent to be taxed. A corollary of this view is that if one does not wish to pay all the taxes that are legally owed, one has the option of leaving and going to another tax jurisdiction.

These related arguments can be attacked on several grounds. For one, it does not follow that just because some 51 percent majority passes a certain law, the other 49 percent must automatically obey. If one were automatically required to obey some majority, it would mean that one's rights disappear whenever one is in the minority. A quip attributed to Benjamin Franklin sums up this view. "Democracy is two wolves and one sheep voting on what's for lunch. Freedom is a well-armed sheep contesting the vote" (McGee, 2014).





The “if you don’t like it, leave” argument also suffers from some philosophical deficiencies. Taxpayers may not want to abandon their property and leave a country in order to avoid a tax they consider to be unjust or excessive. In some cases, they may not be able to leave, either because their government prevents them from leaving (Cuba, North Korea and the former Soviet Union come to mind), or because no other country will accept them, or because they do not have the resources to leave. Where there is no choice, there is no possibility of acting morally. In order to act morally, there must be the option to act immorally (McGee, 2012a).

The view that there is always a moral duty to pay whatever taxes the government demands quickly falls apart when one asks the question, “Was there a moral duty for the Jews living in Nazi Germany to pay taxes to Hitler?” However, even in this extreme case, some individuals – Orthodox Jews – believe that there is at least some duty to pay taxes to Hitler. In a survey of Orthodox Jews that used a survey instrument similar to the one used in the present study, the sample population was asked whether tax evasion would be ethical if the taxpayer were a Jew living in Nazi Germany (McGee & Cohn, 2008). Although there was a great deal of support for tax evasion in this case, support for evasion was not absolute.

At the other extreme is the view that evading taxes is never immoral. Those who espouse this view often believe that all governments are illegitimate and need not be obeyed or supported financially (Crowe, 1944; McGee, 2012; Spooner, 1870). A more limited espousal of this view was made by Nozick (1974), the late Harvard philosophy professor, who equated taxes on income as the moral equivalent of slavery. For example, taxing away 40 percent of one’s income is the equivalent of enslaving the person for two days a week. If one accepts his premise, then the logical conclusion would be that there is nothing immoral about evading the income tax, since slaves owe no duty to their master. One counterargument would be that slaves owe at least some duty to their master because the master provides food, clothing and shelter to slaves (or that citizens owe some duty to the government because the government provides services to them). Some slaves (and taxpayers) would disagree with this argument.

The third main view is that tax evasion may be justified on moral grounds sometimes. This view is the prevalent view in the theological (Crowe, 1944; McGee, 2012a), philosophical (McGee, 1994) and empirical (Alm & Torgler, 2006; McGee & Bernal, 2006; McGee & Guo, 2007; Torgler, 2007; Torgler et al., 2008) literature.

The most comprehensive study of the theological and philosophical literature on the ethics of tax evasion conducted in the twentieth century was done by Martin Crowe (1944), a Catholic priest, who did the study as part of the doctoral program at the Catholic University of America. He researched 500 years of philosophical and theological literature, mostly Catholic, some of which was in the Latin Language. We can credit him for bringing much of the Catholic literature to an English-reading public.

Crowe’s examination of the literature found that most (not all) theologians and philosophers held the belief that there is some justification for tax evasion in some cases. The strongest arguments justifying tax evasion over the centuries have usually had to do with fairness. Tax evasion might be justified if the king is a tyrant, if the government is corrupt, if the tax system is perceived as being unfair or if the taxpayer does not have the ability to pay.

Most of the twentieth-century Christian literature holds that tax evasion is justifiable in some cases. The most common justifications are in cases where the system is perceived as being unfair, where the government is corrupt, or where the taxpayer has an inability to



pay (Crowe, 1944; McGee, 2012a). Some of both the Christian and secular literature take the position that some evasion is justified if the tax funds are used to finance an unjust war (Schansberg, 1998; McGee, 2012a).

A few scholars have examined the Muslim literature on this issue. The findings are mixed. Two scholars took the position that there is no moral duty to pay taxes on income, and that there is no duty to pay a tax that increases prices, such as a sales or use tax, value added tax, or a tariff (Ahmad, 1995; Yusuf, 1971). Another Muslim scholar disputed their position, arguing that there is an absolute duty to pay all taxes the government imposes. However, this absolute duty exists only if the government in question has adopted Sharia law. Evading taxes in such cases would be to disobey Allah (Jalili, 2012).

Some empirical studies have surveyed various groups to determine their views on the ethics of tax evasion (McGee & Bernal, 2006; McGee & Rossi, 2008). The general conclusion was that, although tax evasion was generally considered to be unethical, there were exceptions. Some arguments justifying tax evasion were stronger than others. The strongest arguments to justify tax evasion were in cases where the government engaged in human rights abuses. The second strongest set of arguments to justify tax evasion were in cases where the tax system was perceived as being unfair, where the government was corrupt, where the tax funds were wasted, where tax rates were too high, or where the taxpayer was not able to pay. The weakest arguments to justify tax evasion were in cases where the taxpayer received benefits from the government or where the tax funds were spent on worthy projects.

Methodology

The present study builds on prior research and uses a survey instrument that is similar to that used in some other empirical studies (McGee & Bernal, 2006; McGee & Rossi, 2008). A survey was distributed to groups of students from Karadeniz Technical University, Eskişehir Osmangazi University and Giresun University in Turkey (N= 291) and Monash University, Australia (N= 211) in order to ascertain their views on the ethics of tax evasion (a response rate of 37% 211/570 from the Australian students). The two groups of respondents were selected because their views would represent the perceptions of two different cultures. To determine their perceptions on the issue of tax evasion, students were requested to state their level of agreeableness (on a 7-point Likert scale, 1 = strongly agree, 7 = strongly disagree) to 18 general statements that provided differing scenarios in the socio-economic environment. The statements in the survey reflected the three main viewpoints on the ethics of tax evasion, (a. tax evasion is always or almost always ethical; b. tax evasion is sometimes ethical; c. tax evasion is never or almost never ethical) that have emerged over the past centuries.

Results

The results of the study indicate that although Turkish scores are significantly different from the Australian scores, both the Turkish and Australian respondents believe that tax evasion can be ethically justifiable in certain situations, although it has to be emphasized that some arguments are stronger than others.

Table 1 summarizes the results of the reliability analysis which was assessed using Cronbach's Alpha. According to Table 1 the scale scores (Turkey=0.862, Australia= 0.954),





exceeds the minimum acceptable level of 0.70 as recommended by Carmines and Zeller (1979). In addition, it was observed that none of the variables has a negative relationship with the total correlation. Thus, this finding indicates that internal consistency of the data is considerably high.

Table 1: Reliability Analysis

	Turkey (N= 291)	Australia (N= 211)	Turkey & Australia (N= 502)
Cronbach's alpha	0.862	0.954	0.910

Table 2 summarizes the main demographic variables, which included education level, academic major, age and gender. Although 100% of the Turkish students were undergraduates nearly half of the Australian respondents were graduates with 14% over the age of 30 years. Consequently, although they are students, many would have work experience and have paid taxes. Also the majority 100% of Turkish students have a business and economics major while 85% of Australian students were completing an accounting major. This indicates that most would have been familiar with the role and application of taxes in society and would have had some knowledge base from which to answer the survey questions. The age distribution was fairly representative of the general population in both Turkey and Australia.

Table 2: Demographics

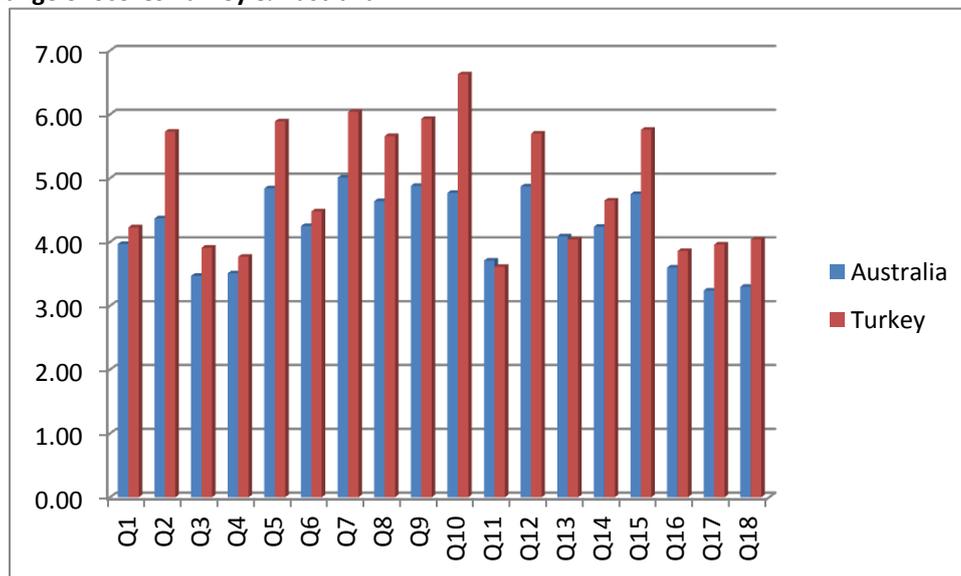
	Turkey		Australia	
	Sample Size	%	Sample Size	%
Education Level				
Undergraduate	291	100.0	107	50.7
Graduate	--	--	97	46.0
Other	--	--	7	3.3
Unknown	--	--	--	--
Major				
Accounting	--	--	178	84.8
Business/Economics	291	100.0	19	9.0
Theology	--	--	1	0.5
Law	--	--	5	2.4
Other	--	--	7	3.3
Unknown	--	--	1	0.5
Age				
15-29	268	92.1	175	82.9
30-49	22	7.6	29	13.7
50+	--	--	6	2.8
Unknown	1	0.3	1	0.5
Gender				
Male	130	44.7	108	51.2
Female	160	55.0	101	47.9
Unknown	1	0.3	2	0.9
Total	291		211	

- Scale (1 = strongly agree; 7 = strongly disagree).



Figure 1 shows the range of scores for the Australian and Turkish sample. In most cases, the Turks were more opposed to tax evasion than were the Australians. In particular, in Q10 the Turks strongly disagreed that “tax evasion was ethical if everyone was doing it” with a mean of 5.63 and high of 6.63. Whereas the Australians felt that wider acceptability of evasion made it more ethical, producing a mean of 4.77. Also in Q2 with respect to the collection of government revenues justifying tax evasion, the Turks (mean =5.73) were more opposed than the Australians (mean =4.37). The other main issues where the Turks and Australians differed, were with respect to government spending regardless of whether they were spent on worthy projects or whether they benefited the citizen or not. The Australians were more comfortable with tax evasion in these cases. (See Q7Turk mean 6.4 Aust mean 5.01, Q8 Turk mean= 5.66 Aust mean =4.64 and Q9 Turk mean 5.93 Aust 4.88). The other discrepancy of note between the two nationalities was the selfish attitude of paying less tax even if others have to pay more. (see Q15 Turk mean =5.76 and Aust mean =4.75).

Figure 1: Range of Scores Turkey & Australia



T- Test on means difference and analysis

Table 3 lists the t-stats and p-values for each country and significant statements only. In 10 cases the difference in mean score was significant at the 1 percent level (p-value **). Significant differences between Australian and Turkish opinion revolved around issues such as, tax collection, tax fairness, tax spending (exchange equity), the acceptability of tax evasion, the probability of detection, the duty to pay (vertical/horizontal equity) racial and political discrimination. In one other case the difference was significant at the 5 percent level (p-value *) where the issue was with regards to the ability to pay. The overall mean for Turkey was 4.83 and Australia 4.26 which illustrates the difference of opinion within the (neither agree nor disagree) band. The t-tests were chosen to conform to the methodological approach used in some other studies that were discussed in the literature review.



Table 3: T-Test between Turkey Mean and Australia Mean for Every Item

Item No	Statement	Turkey Mean	Aust Mean	t-stat	p-value
1	Tax evasion is ethical if tax rates are too high.	4.23	3.97	1.497	0.135
2	Tax evasion is ethical even if tax rates are not too high because the government is not entitled to take as much as it is taking from me.	5.73	4.37	8.167	0.000**
3	Tax evasion is ethical if the tax system is unfair.	3.94	3.47	2.814	0.005**
4	Tax evasion is ethical if a large portion of the money collected is wasted.	3.77	3.51	1.514	0.131
5	Tax evasion is ethical even if most of the money collected is spent wisely.	5.89	4.84	6.529	0.000**
6	Tax evasion is ethical if a large portion of the money collected is spent on projects that I morally disapprove of.	4.48	4.25	1.377	0.169
7	Tax evasion is ethical even if a large portion of the money collected is spent on worthy projects.	6.04	5.01	6.868	0.000**
8	Tax evasion is ethical if a large portion of the money collected is spent on projects that do not benefit me.	5.66	4.64	6.801	0.000**
9	Tax evasion is ethical even if a large portion of the money collected is spent on projects that do benefit me.	5.93	4.88	6.869	0.000**
10	Tax evasion is ethical if everyone is doing it.	5.63	4.77	5.143	0.000**
11	Tax evasion is ethical if a significant portion of the money collected winds up in the pockets of corrupt politicians or their families and friends.	3.61	3.71	-0.499	0.618
12	Tax evasion is ethical if the probability of getting caught is low	5.70	4.87	5.222	0.000**
13	Tax evasion is ethical if some of the proceeds go to support a war that I consider to be unjust.	4.04	4.09	-0.271	0.787
14	Tax evasion is ethical if I can't afford to pay.	4.65	4.24	2.391	0.017*
15	Tax evasion is ethical even if it means that if I pay less, others will have to pay more.	5.76	4.75	6.640	0.000**
16	Tax evasion would be ethical if I lived under an oppressive regime like Nazi	3.86	3.60	1.631	0.104





	Germany or Stalinist Russia.				
17	Tax evasion is ethical if the government discriminates against me because of my religion, race or ethnic background.	3.96	3.24	4.207	0.000**
18	Tax evasion is ethical if the government imprisons people for their political opinions.	4.04	3.30	4.327	0.000**
Mean		4.83	4.26		

* Statistically significant difference at the 5% level. ** Statistically significant difference at the 1% level.

Comparison of Respondent Groups and Summary of the Main Findings

Initial comparisons of the Australian and Turkish samples indicates that cultural differences did have some impact upon tax evasion attitudes when a tax system is both unfair, (Turkey mean = 3.94) and (Australian mean = 3.47) and when a large portion of the money collected is wasted (Turkey mean = 3.77) and (Australian mean=3.51). Both these criteria were ranked highly in the top 4 of the 18 statements in the survey for both samples. These findings are consistent with studies by (Crowe, 1944) and (McGee 2012a). Clearly, to have a fair tax system where money is spent wisely is paramount to improving compliance and curbing potential evasion. However, this is difficult to achieve and needs to be juggled with competing priorities such as, tax efficiency and tax simplicity, a discussion of which is outside the scope of this paper.

It is also notable that oppression (mean = 3.86) and corruption (mean =3.61) also rank highly with the Turkish sample but to a slightly lesser degree with the Australian Sample, oppression (mean = 3.60) and corruption (mean = 3.71). So despite cultural differences, these criteria indicate that tax evasion is sometimes justified on moral grounds which is consistent with the prevalent view in the theological (Crowe, 1944; McGee, 2012a), philosophical (McGee, 1994) and empirical (Alm & Torgler, 2006; McGee & Bernal, 2006; McGee & Guo, 2007; Torgler, 2007; Torgler et al., 2008) literature.

Statements that ranked in the middle for both the Turkish and Australian samples revolved around personal justification for evasion. That is, tax evasion was found to be ethical where citizens couldn't afford to pay, Australian (mean = 4.24) and Turkish (mean = 4.65). Also in cases where citizens felt that money was spent on projects that did not directly benefit them, Australian (mean=4.64) and Turkish (mean =5.66). This finding suggests that elements of human selfishness and greed exist regardless of race or culture.

Interestingly, the lowest ranked criteria for evading tax for respondents from both Turkey and Australia was where a large amount of the money collected was spent on worthy projects clearly benefiting citizens directly, Australia (mean = 5.01) and Turkey (mean = 6.04). So there was a natural tendency not to evade tax where the tax system was perceived to be fair and exchange equity was evident. This was also consistent with the findings of previous studies regarding the weakest arguments justifying tax evasion (McGee & Bernal, 2006; McGee & Rossi, 2008).





Conclusions, Limitations and Further Research

An examination of the mean scores indicates that both samples believe that tax evasion can be morally justified in some cases, and that some arguments to justify tax evasion are stronger than others. Thus, the samples included in the present study hold views that are similar to those of most other studies, in that they believe tax evasion can be ethically justifiable.

However, the mean scores in the present study are lower than those found in the other studies (Alm & Torgler, 2006; McGee & Bernal, 2006; McGee & Guo, 2007; Torgler, 2007; Torgler et al., 2008) that used this survey instrument, which indicates that the Australians and Turks are generally less opposed to tax evasion than were the respondents' samples in the other countries.

The obvious limitation of this study is in the sampling technique adopted. As the samples consist of students some demographic areas maybe unrepresented and consequently the results may not be generalized to the wider populations. Other limitations include the misunderstanding of questions and terminology used in the survey by some participants, issues of honesty and also the number of variables examined. Nevertheless, samples sizes were adequate to perform the level of analysis adopted and the results achieved were robust.

Consequently, there are possibilities for further research on this topic. For example samples could be drawn from other countries. Alternatively, other sample populations from Australia and Turkey could be solicited for their views. Perhaps business people would hold different views on this issue, and perhaps those who own their own business would hold views that are different from those who merely work in someone else's business.

The reasons for the views held could also be examined. The present survey instrument asked participants to indicate the extent of their agreement or disagreement with each statement, but did not ask for their reasoning process. Consequently, future qualitative studies could examine the reasons behind the views.

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