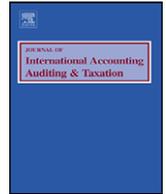




Contents lists available at ScienceDirect

Journal of International Accounting, Auditing and Taxation



The relationship between culture and tax evasion across countries: Additional evidence and extensions

Grant Richardson*

Department of Accountancy, Faculty of Business, City University of Hong Kong, 83 Tat Chee Avenue, Kowloon Tong, Hong Kong, People's Republic of China

ARTICLE INFO

Keywords:
Tax evasion
Culture
Legal enforcement
Trust in government
Religiosity

ABSTRACT

This study builds on the work of Tsakumis et al. [Tsakumis, G. T., Curatola, A. P., & Porcano, T. M. (2007). The relation between national cultural dimensions and tax evasion. *Journal of International Accounting, Auditing and Taxation*, 16, 131–147] by conducting further empirical analysis of the relationship between Hofstede's [Hofstede, G. H. (1980). *Cultures consequences: International differences in work-related values*. Beverly Hills, CA: Sage Publications] cultural dimensions and tax evasion across countries using multiple measures of tax evasion to gain additional evidence on the subject. Moreover, this study extends the preliminary international tax evasion model developed by Tsakumis et al. [Tsakumis, G. T., Curatola, A. P., & Porcano, T. M. (2007). The relation between national cultural dimensions and tax evasion. *Journal of International Accounting, Auditing and Taxation*, 16, 131–147] to examine, along with culture, the impact of legal, political, and religious variables on tax evasion across countries. Based on data from 47 countries, and after controlling for economic development, the regression results indicate that the higher the level of uncertainty avoidance and the lower the level of individualism, legal enforcement, trust in government, and religiosity, the higher is the level of tax evasion across countries. These findings remain robust to multiple measures of tax evasion. Government policymakers should find the results of this study useful in assessing the likelihood of tax evasion from cultural, legal, political, and religious perspectives, and in developing tax reform policies to reduce tax evasion.

© 2008 Elsevier Inc. All rights reserved.

1. Introduction

Tax evasion¹ has been an important subject of inquiry in a large number of developed countries over a long period of time (see e.g., Jackson & Milliron, 1986; Long & Swingen, 1991; Andreoni, Erard, & Feinstein, 1998; Richardson & Sawyer, 2001). However, little research has considered the relationship between culture and tax evasion (Andreoni et al., 1998, 818; Alm & Torgler, 2006, 226; Richardson, 2007, 77).

* Tel.: +852 2788 7923; fax: +852 2788 7944.

E-mail address: acgrant@cityu.edu.hk.

¹ Tax evasion is characterized as intentional illegal behavior, or as behavior involving a direct violation of tax law to escape the payment of tax. The deliberate under-reporting of income and over-claiming of tax deductions are examples of tax evasion (International Bureau of Fiscal Documentation (IBFD), 2001, 134). In contrast, tax avoidance is a term used to describe taxpayer behavior aimed at reducing a tax liability that falls short of tax evasion. Although tax avoidance may be used to refer to acceptable forms of behavior, such as tax planning, it is more often used to refer to something unacceptable or illegitimate, but generally not illegal. In other words, tax avoidance is often within the letter but not the spirit of the law. Conversion of income to non- or lower-taxed gains or the spreading of income to other taxpayers with lower marginal tax rates are examples of tax avoidance (IBFD, 2001, 26).

Roth, Scholz, & Dryden-Witte (1989, 162) claim that the various cultural contexts which shape a person's interpretation of events may assist in influencing his or her attitude toward tax evasion. They argue that culture is reflected to varying degrees in general values and specific behavioral norms. These values and norms are constantly expressed and reinterpreted during a person's everyday social contact, which can either increase or decrease tax evasion.

Previous research has found diversity in tax evasion patterns in different cultural contexts. For example, Strümpel (1969) compares cultural responses to tax administration styles in several European countries. He stresses the importance of national cultures in understanding tax evasion. Tittle (1980) finds in the U.S. that cultural background is significantly related to the deviant propensities of taxpayers. Coleman & Freeman (1997) observe that voluntary tax compliance is a function of the cultural environment in Australia. Chan, Troutman, & O'Bryan (2000) find that the different cultural environments of Hong Kong and the U.S. have a major impact on tax evasion.

Prior tax research has treated culture as a "black-box" and has thus failed to identify how specific cultural dimensions could be related to tax evasion. Tsakumis, Curatola, & Porcano (2007) employ Hofstede's (1980) cultural framework to explain tax evasion across countries. Specifically, they "unpack" culture in terms of Hofstede's (1980) cultural dimensions of power distance, individualism, uncertainty avoidance, and masculinity, and consider their relationships with tax evasion across 50 countries. The major finding of the study is that culture, as represented by Hofstede's (1980) cultural dimensions, contributes to a better understanding of tax evasion internationally. Tsakumis et al. (2007) show that the higher the level of power distance and uncertainty avoidance and the lower the level of individualism and masculinity, the higher is the level of tax evasion across countries.

Nevertheless, the empirical analysis stemming from the cross-country work of Tsakumis et al. (2007) raises the question of whether their results about culture and tax evasion only reflect characteristics of the underlying data used and are therefore not generalizable. For this reason, the robustness of their results should be tested using multiple measures of tax evasion to obtain further evidence on the subject. Moreover, the international tax evasion model they developed is preliminary, and should be extended to include additional variables that are relevant to legal, political, and religious institutions. This model extension responds to Riahi-Belkhou (2004, 141–142) and Tsakumis et al. (2007, 145) by building a comprehensive international model of tax evasion including legal, political, and religious variables. In doing so, the model extension should help to reduce omitted variable bias and the potential problem of model misspecification.

The purpose of this study is to conduct further empirical analysis of the relationship between Hofstede's (1980) cultural dimensions and tax evasion across countries, using several measures of tax evasion. Moreover, this study extends the preliminary international tax evasion model of Tsakumis et al. (2007) to examine in conjunction with culture, the impact of legal, political, and religious variables on tax evasion across countries.

Based on data from 47 countries, and after controlling for economic development, the ordinary least squares (OLS) regression results show that the higher the level of uncertainty avoidance and the lower the level of individualism, legal enforcement, trust in government, and religiosity, the higher is the level of tax evasion across countries. These findings remain robust to multiple measures of tax evasion. Government policymakers should find the results of this study helpful in considering the possibility of tax evasion from cultural, legal, political and religious standpoints, and in developing tax reform policies aimed at minimizing tax evasion.

This study contributes to the literature in four ways. First, it shows that Hofstede's (1980) cultural dimensions of individualism and uncertainty avoidance are consistently the most significant cultural explainers of tax evasion across countries based on several tax evasion measures. It seems that Tsakumis et al. (2007) may possibly overstate the importance of Hofstede's (1980) power distance and masculinity cultural dimensions in explaining tax evasion across countries. Second, the study extends the work of Tsakumis et al. (2007) by adding legal, political, and religious variables to their international tax evasion model to present a more complete model of tax evasion. It thereby fills a major gap in the extant literature on this topic. Third, the study shows that models of tax evasion, which apart from culture include legal, political, and religious variables, provide unique insights into our understanding of tax evasion internationally. Fourth, the study also demonstrates that when making cross-country comparisons of tax evasion, government policymakers should consider legal, political, and religious variables alongside cultural variables.

The remainder of the paper is organized as follows. Section 2 briefly describes Hofstede's (1980) concept of culture and cultural dimensions. Section 3 considers theoretical relationships between Hofstede's (1980) cultural dimensions, legal enforcement, trust in government, religiosity and tax evasion, and develops hypotheses. Section 4 explains the research design. Section 5 summarizes and analyzes the empirical results of this study. Section 6 presents the conclusions, limitations, and opportunities for future research.

2. Concept of culture and cultural dimensions

Hofstede (1980, 25) defines culture as: "the collective programming of the mind which distinguishes the members of one human group from another." Based on an attitude survey of IBM employees in 66 countries throughout the 1970s, Hofstede (1980, 1983) developed country-based scores corresponding to four dimensions of culture for each country surveyed: power

متن کامل مقاله

دریافت فوری ←

ISIArticles

مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات