TAX ETHICS AND EVASION OF TAX: A PILOT STUDY OF UDAIPUR CITY

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Abstract   *Tax revenue is the source of funds used for development projects such as provision of infrastructure like good roads, stable power supply, stable water supply, and so on. Low tax compliance is a major source of concern in India, as it limits the ability of the government and development efforts. Many variables are widely regarded as contributing to this shortcoming. In a developing country, tax moral is seen as the most important influencing factor of tax evasion. In this study, data is collected through primary and secondary sources of data; a questionnaire was circulated and 61 responses were selected for the final analysis. In this study, Cronbach's alpha, K-S test, and descriptive statistics are used for data analysis. The finding shows that a majority of the respondents file their tax returns, have faith in the government, and think that paying taxes is a civic duty and not a burden. This shows their moral and compliance level. Results also explain that female taxpayers, highly educated people, and older citizens are more ethical than others.*

Keywords: *Tax Ethics, Tax Evasion, Trust in Government, Tax Non-Compliance*

INTRODUCTION

India is a developing country where the government relies heavily on income tax to generate funds for development. Low tax compliance is a major source of concern in India, as it limits the ability of the government and development efforts. Ameyaw and Dzaka (2016) reveal that demographic factors like age, gender, level of education, and so on have a significant effect on the tax evasion. Devos (2008) also stated that there is a relationship between the attitude of the taxpayers' tax evasion and demographic factors. McGee and Smith (2007) find that women were more ethical and strongly opposed to tax evasion, and age does not have a significant impact on evasion. There are some other factors responsible for tax evasion, like the faith of the taxpayers in the government, tax rates, probability of detection and penalty rate, corrupt system, and so on. Allingham and Sandmo (1972) stated that the probability of getting caught and penalty fees are the driving factors behind tax evasion. Modugu and Omoye (2014) find that tax rate has a positive relationship with tax evasion. This means that if there is a higher tax rate, the tendency of tax evasion is also higher.

For the creation of public infrastructure and the provision of government services, developing countries rely heavily on tax money. However, Drogalas, Anagnostopoulou, Pazarskis and Petkopoulos (2018) believe that Greek citizens do not avoid taxes, rather, they think that the government is not using the funds properly and the tax system is corrupt.

The taxation structure that a country selects has a significant impact on its growth and development. High tax rates and complicated tax regimes stifle economic progress. In addition, a complex taxation system leads to tax evasion, which increases parallel economy. Complex tax systems are partly to blame for making conducting business difficult. Countries with streamlined taxation systems, on the other hand, have found that doing business is easier, and enjoy growth and development. India, as one of the world's largest democracies, has a complex taxation system that includes a huge number of taxes, a large and complex tax literature (rules and laws), and ineffective administration. The purpose of this study is to examine the relationship between tax ethics and tax evasion, to determine when tax evasion is morally permissible and which social groupings are more tolerant of it.

WHAT IS TAX EVASION?

Tax evasion is a method of minimising tax liability through unethical and inefficient means. It is prohibited because the legislation allows for tax evasion. It is unethical, because not paying taxes is unethical. Tax evasion is definitely influenced by four primary factors. Specifically, demographic characteristics (age, gender, education, and employment

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position), cultural and behavioural variables (complexity, fairness, revenue authority contact, compliant peers, and ethics or tax morale), legal and institutional variables (legislation), and finally, economic variables (income level, income source, marginal tax rates, sanctions, and probability of detection). In a developing country, however, tax moral is seen as the most important influence.

DETERMINANTS OF TAX MORAL/ETHICS

In taking decisions, the morality and ethics of a person plays an important role, because if a person believes any act is unethical, then he/she avoids that act. If the taxpayers think that evasion of tax is ethical, then they do it without any guilt or fear. Basılgan and Christiansen (2016), in their OECD countries' study, accept that tax morale is one of the primary factors that affects the attitude of the taxpayer, and that tax morale tends to increase with age and education. So, for understanding the taxpayer's attitude towards tax evasion and the role of ethics in tax evasion, first we have to understand the determinants of moral/ethics. These are as follows.

Trust in Government

Trust is an important factor. If the taxpayers have trust and faith in the government and the taxation system, that is, they feel that their tax contributions are used properly and for the development of the nation, then they pay taxes without any hesitation; otherwise, they try to reduce their tax liability by illegal means and using savings schemes. So, non-compliance and trust in government have a negative relationship; if one is high, the other goes down. Kaplanoglou and Rapanos (2015) stated that the higher the trust in the government, the lower the tax evasion and the higher the tax compliance level.

Moral Sentiments (Fear, Guilt, Shame, Duty)

It is reasonable to believe that if people feel guilty or ashamed about the prospect of dodging taxes, they will be less likely to do so.

Fairness

If people perceive that taxes are too expensive and hence unfair, or that the tax system is overly confusing, they are more likely to see tax evasion as morally justified.

STATEMENT OF THE PROBLEM

As we know, taxation is one of the major sources of revenue for any government. In the last few years, the evasion and avoidance of taxation have become reasons for the loss in taxation revenue. Currently, taxpayers try to evade their tax liability and avoid the responsibility of paying it. Due to this, the growth of the country and the performance of public sectors are affected. Therefore, there is a need to ascertain the factors that influence tax evasion, reasons behind tax evasion, and the relationship between tax ethics and tax evasion. The attitude of taxpayers is affected by many factors. Here, we take tax ethics as a primary factor that affects tax evasion, because if a taxpayer thinks evasion is unethical, they will act differently to a taxpayer who considers evasion ethical. For understanding this, we do a pilot study of the people of Udaipur city.

OBJECTIVES OF THE STUDY

- To examine the relationship between demographic factors and tax ethics.
- To know the reasons behind tax evasion by taxpayers.
- To know the techniques which are helpful to improve taxpayers' behaviour.
- To know the tax morale of taxpayers with the help of determinants of morals.

RESEARCH HYPOTHESES

- H1: Female taxpayers are more ethical than male taxpayers.
- H2: Younger people are more ethical than older people.
- H3: Highly educated taxpayers are more ethical than less educated people.

RESEARCH METHODOLOGY

Methods of Data Collection and Tools of Data Analysis

In this research, both primary and secondary data are used. To collect primary data, a structured questionnaire is used. Questions from the questionnaire developed by Prof. McGee are used as a research instrument for collecting data. The questionnaire comprises two sections. The first section contains demographic characteristics of taxpayers and the second section contains statements related to the

respondents' tax evasion behaviour. In the second section of the questionnaire, the respondents were asked to rate the importance of each question using a five-point Likert scale, where strongly agree (SA) = 5; agree (A) = 4; neutral (N) = 3; disagree (D) = 2; and strongly disagree (SD) = 1; for continuous variables. The use of the Likert-scale is to make it easier for respondents to understand, and reduce confusion in reading and answering the questions. We used a convenience sampling process, as the participants were chosen on the basis of accessibility. The questionnaire was sent to individuals who are earning and paying taxes to the government electronically; only 66 respondents filled the questionnaire. Out of this, five were incomplete and so were not included for the analysis. Journals, books, magazines, and websites are the secondary sources of data collection. After reviewing the existing literature, this is an exploratory type of research. For the data analysis, SPSS version 21 was used to get reliable results; Cronbach's alpha was used to test the reliability of the primary data and descriptive statistics, whereas the Kolmogorov-Smirnov test and compare means were used to analyse data.

REVIEW OF LITERATURE

Richardson (2006), on the basis of the literature, classified the determinants of tax evasion into two parts: economic (source of income, marginal tax rate, probability of detection, income level) and non-economic (complexity of tax system, education, fairness). On the basis of 45 countries' data and with the use of OLS regression analysis, the author showed that non-economic determinants have the strongest impact on tax evasion, and also found that complexity is one of the most important factors of tax evasion. On the whole, the results of the regressions showed that a lower level of complexity and a higher level of education, income source, fairness, and tax morale are helpful in lowering tax evasion across countries.

Slehat (2006) examined the tendency of Jordanian taxpayers towards tax evasion by investigating the influence of some variables (age, gender, marital status, education, level of income, source of income, corruption and bribery, tax rate, penalty rate, probability of detection, fairness of tax system and government, religion, and ethics) on tax evasion. Data was collected through a questionnaire and data analysis was carried out using correlation and regression methods. The findings show that there is a positive relationship between corruption and bribery, tax rate, penalty rate, probability of detection, fairness of tax system and government, religion, and ethics and tax evasion, whereas education and level of income have a significantly negative relationship with tax evasion. Although there was no significant correlation, the relation between marital status and tax evasion was positive,

while the other factors, such as age, gender, and source of income have no significant correlation, but have a negative relation.

McGee and Smith (2007) present an empirical study in their paper. The goal of this study is to determine the strength of some arguments to justify tax evasion. For this, a survey was constructed using a seven-point Likert scale. Comparisons were also made to determine whether the responses varied by age or gender. After scoring and comparing the arguments, the results show that women were more strongly opposed to tax evasion than men; the scores did not differ significantly by age.

Gupta and Ziramba (2008) aimed at developing a theoretical model of a world economy characterised by tax evasion. Their paper seeks to analyse whether financial repression can be explained by tax evasion. Using two overlapping generations' dynamic general equilibrium endogenous monetary growth models, the authors analyse the relationship between tax evasion, determined endogenously, and financial repression. The model suggests that an increase in the degree of evasion within the country, resulting from lower penalty rates or higher corruption, should be followed by an increase in the reserve requirements and an increase in the money growth rate as part of a welfare maximising behaviour of the combined government. However, a higher degree of tax evasion, due to a lower tax rate, reduces the severity of the financial restriction. In addition, a higher fraction of reported income, resulting from a lower level of corruption or higher penalty rates, causes the government to inflate the economy at a higher rate. However, money growth rate tends to fall when an increase in the fraction of reported income originates from a fall in the tax rate.

The literature of Devos (2008) indicates that, among other factors, demographic variables play a significant role in the compliance behaviour of taxpayers. This exploratory study examined the relationship between demographic variables and taxpayers' attitudes towards tax evasion. An electronic survey of 300 Australian personal taxpayers was conducted. For the purpose of this exploratory analysis, the chi-square test was preferred, to investigate the effect of demographic variables on selected survey questions. The findings revealed that, for a majority of the demographic variables analysed, statistically significant relationships were established with the Australian's attitudes towards tax evasion. These results offered useful information for revenue collecting authorities and suggestions for tax policy development.

The study by Alabede, Ariffin and Idris (2011) investigated the effect of financial condition and risk preference on the relationship between taxpayers' attitude and compliance behaviour. The data of the study was collected through a questionnaire filled by individual taxpayers. For selecting

the sample size, multi-cluster random sampling method was used, and the authors used statistically moderated multiple regression (factor analysis). The result of the study indicates that the taxpayers' compliance behaviour is positively related to attitude towards tax evasion. Furthermore, the results also show that the taxpayers' risk preference has a strong negative moderating impact on the relationship between attitude towards tax evasion and compliance behaviour.

Escobari (2011) revealed that the existence of a corrupt tax administration motivated imperfect detection of tax evasion. The model estimates a positive effect of fines and audit probabilities on tax compliance. The findings show that more corruption decreases compliance levels, giving honest auditors an incentive to work harder to detect evasion. Higher compliance can be attained by giving tax inspectors a share of the evasion exposed; however, increasing their lump-sum income will reduce compliance.

Pickhardt and Prinz (2013), in their article, focus on the behavioural dynamics of tax evasion and compliance. After reviewing the literature related to tax compliance and tax evasion, the authors revealed that for the dynamics of personal attitudes, norms and justifications, interactions between the taxpayers, the taxpayers and tax authorities, as well as the taxpayers and tax practitioners are crucial. To detect tax fraud, audits and punishments are required, along with fewer complexity in the tax codes, more service-oriented tax authorities, and a nicer attitude of tax authorities to taxpayers. These appear to be helpful in reducing tax evasion. Trust is also the main element for cooperative tax behaviour, because if the tax authorities distrust people, the taxpayers start to distrust the tax authorities.

The main objective of the paper by Chucks and Anthony (2013) was to determine the effect of tax morale on compliance to tax policies. For this, data was collected through a structured questionnaire and the hypotheses were tested using the regression method. The findings indicate that the taxpayers' attitude towards tax evasion, tax avoidance, and the government have a significant effect on tax morale, whereas attitude towards the legal system and the institutions have no significant effect on tax morale. The authors also recommended that the taxpayers should be educated, to know their obligations as far as tax is concerned.

Ameyaw and Dzaka (2016) explored factors that have a detrimental effect on tax evasion in Ghana. For data collection, the survey method was used in ten capitals of Ghana. Samples were selected through the stratified sampling method. To analyse the data, sampling techniques like factor analysis, descriptive analysis, and multiple regression analysis were used. The analysis revealed that taxation and fiscal factors, administrative factors, demographic factors, and economic factors are the main factors that have a significant effect on tax evasion. Therefore, to encourage tax compliance, there is a need for governments and policy makers to come out with pragmatic measures.

Vythelingum et al. (2017) try to measure the level of tax and identify factors that shape tax morale in Mauritius. A questionnaire was distributed randomly to the respondents. To analyse the collected data, logistic regression analysis was used. The results show that attitude towards tax evasion, equity, social norms, trust in the government and authority, confidence in the legal system, and fairness in the tax system have a significant impact on tax morale. It can be concluded that if trust, equity, fairness, and social norms would increase, then tax morale would also increase. Simplifying the tax system, continuous training to professionals, wise distribution of tax revenue by the government, and educating the young about tax compliance may increase the tax morale of taxpayers, which will reduce tax evasion.

In 'A study of tax evasion in India', Tarun and Jasmin (2018) attempt to understand the relationship between tax revenue and tax evasion with government revenue. Data was collected through a primary source. Findings show that even if the tax amount is significantly low, a large number of people consider payment of taxes a burden. This may be due to the fact that tax payers feel that their money is not efficiently utilised by the government or that the tax rate is high. To reduce tax evasion, tax relaxation and stricter punishments may be helpful.

In their article, Drogalas et al. (2018) explore the tax ethics of Greek citizens and compare them with those of other countries. Tax evasion is an economic and social phenomenon that has always been at the centre of public policy. The results show that Greek citizens do not evade tax due to potential personal gain, but rather, they believe that the state is incompetent in proper allocation of public money and that the tax system is not efficient and is corrupt. In conclusion, taxpayers commit tax evasion when they believe that public money is not allocated efficiently from the government to the citizens. Therefore, the government has to gain the trust of its citizen to reduce tax evasion and encourage political transparency.

RESULTS AND DISCUSSION

Demographical Statistics

Table 1 shows that out of 61 respondents, 54.6% are female and 45.6% are male. Around 83.6% of the sample are in the age group 21 to 30 years, 8% in 31 to 40 years, 3.3% in 40 to 50 years, and 3.3% are above 50 years. About 13.1% of them are graduates, 77.5% post-graduates, and 9.8% research scholars. Almost 75.4% are unmarried and 24.6%

are married. Around 22.9% are government employees, 40.9% are private employees, and 36.2% are professionals.

Table 1: Demographic Statistics

	Frequency	Valid Per cent	Cumulative Per cent
Age			
21 to 30	51	83.6	83.6
31 to 40	6	.8	93.4
41 to 50	2	3.3	96.7
Above 50	2	3.3	100
	61	100	
Gender			
Female	33	54.1	54.1
Male	28	45.6	100
	61	100	
Level of Education			
Graduates	8	13.1	13.1
Post-graduates	47	77.5	90.2
Research Scholars	6	9.8	100
	61	100	
Marital status			
Unmarried	46	75.4	75.4
Married	15	24.6	100
	61	100	
Occupation			
Government employee	14	22.9	22.9
Private employee	25	40.9	63.8
Professional (CA, CS, ICWA)	22	36.2	100
	61	100	

Test of Reliability

Reliability Statistics

Cronbach's Alpha	No. of Items
.732	26

For checking the reliability of data, the Cronbach's alpha formula is used. The resulting value is 0.732, which is more than 0.70. This means that the data collected from the respondents are reliable.

Do You File Your Income Tax Returns?

Table 2 shows the descriptive statistics of the responses to this question. Mean value is 1.23, which shows that a large number of respondents file their income tax returns before the time allotted by the income tax department; 77% file their returns, whereas 23% do not. This 77% shows the compliance level of the respondents.

Table 2: Income Tax Return Filler

		Frequency	Per cent	Valid Per cent	Cumulative Per cent	Mean	S.D
Valid	Yes	47	77.0	77.0	77.0		
	No	14	23.0	23.0	100.0	1.23	.424
	Total	61	100.0	100.0			

Do You Think that Paying Tax is a Civic Duty and Not a Burden?

Table 3 shows a mean value of 4.43, which means that a high number of respondents think that paying tax is a civic duty and not a burden. Results show that 67.2% strongly agree and 21.3% agree that tax payment is a civic duty. Around 6.6% of the respondents think that paying tax to the government is a burden and 4.9% are neutral on this topic.

Table 3: Paying Tax is a Civic Duty or a Burden

		Frequency	Per cent	Valid Per cent	Cumulative Per cent	Mean	S.D
Valid	Strongly disagree	4	6.6	6.6	6.6		
	Neutral	3	4.9	4.9	11.5		
	Agree	13	21.3	21.3	32.8		
	Strongly agree	41	67.2	67.2	100.0	4.43	1.073
	Total	61	100.0	100.0			

Could You Tell Me How Much Confidence You Have in the Government and the Taxation System?

Table 4 shows a mean value of 1.98, which is less than two; this shows that faith in the government is an important factor for tax compliance. If the taxpayers trust that the government uses the tax revenue properly or for development purposes, they pay the tax amount voluntarily; otherwise they try to evade tax. The descriptive statistics show that 27.9% of the

respondents have a great deal of confidence and 47.5% have quite a lot of confidence in the government, whereas 23% do not have much confidence.

Table 4: Confidence in Government

		Frequency	Per cent	Valid Per cent	Cumulative Per cent	Mean	S.D
Valid	Great deal of confidence	17	27.9	27.9	27.9		
	Quite a lot confidence	29	47.5	47.5	75.4		
	Not very much confidence	14	23.0	23.0	98.4	1.98	.764
	No confidence at all	1	1.6	1.6	100.0		
	Total	61	100.0	100.0			

Do You Think That If You have Extra Income, Apart from Your Salary, You should Report It While Filing Your Tax Returns?

Table 5 shows that 57.4% of the respondents strongly agree and 21.3% agree with the statement that if they have extra income, apart from their salary, they should report this while filing their tax returns. Around 6.6% strongly disagree and 4.9% disagree with this statement. Here, the mean value is 4.180, which is greater than three. This means that a majority of the respondents think that if they have extra income, apart from their salary, they will report this while filing their tax returns. They are not trying to hide this income from the government and are paying tax on that extra income.

Table 5: Reporting of Extra Income

		Frequency	Per cent	Valid Per cent	Cumulative Per cent	Mean	S.D
Valid	Strongly disagree	4	6.6	6.6	6.6		
	Disagree	3	4.9	4.9	11.5	4.180	1.2043
	Neutral	6	9.8	9.8	21.3		
	Agree	13	21.3	21.3	42.6		
	Strongly agree	35	57.4	57.4	100.0		
	Total	61	100.0	100.0			

If you find that there are some loopholes in the Income Tax Act, based on which you may be able to avoid paying tax, what will you do?

Table 6 shows that 24.6% of the respondents choose to avoid tax if they find any loopholes in the Income Tax Act, whereas 54.1% state that they will be honest and pay the tax amount. Mean value is 2.295, which is higher than two. On this basis, we conclude that a high number of respondents agree that they do not avoid tax if they find any loophole in the tax rules.

Table 6: Find Some Loopholes in Tax Rules

		Frequency	Per cent	Valid Per cent	Cumulative Per cent	Mean	S.D
Valid	Avoid tax	15	24.6	24.6	24.6		
	Neutral	13	21.3	21.3	45.9	2.295	.8435
	Will be honest, will pay tax	33	54.1	54.1	100.0		
	Total	61	100.0	100.0			

Do You Feel That It is Not Wrong If a Taxpayer Does Not Report All Of His/Her Income in Order to Pay Less Income Tax?

Table 7 shows a mean value of 2.623, which means that a majority of the respondents feel that it is wrong if a taxpayer does not report all of his/her income in order to pay less tax. The descriptive statistics show that 39.3% of the respondents strongly disagree and 9.8% disagree that it is not wrong if the taxpayers do not reveal all of his/her income while filing income tax returns. They state that it is not correct to report an income lower than our actual revenue, in order to pay less tax to the government. On the other hand, 16.4% strongly agree and 18% agree that it is not wrong to report a lower income.

Table 7: Paying Less Tax is Not Wrong

		Frequency	Per cent	Valid Per cent	Cumulative Per cent	Mean	S.D
Valid	Strongly disagree	24	39.3	39.3	39.3		
	Disagree	6	9.8	9.8	49.2		
	Neutral	10	16.4	16.4	65.6	2.623	1.5510
	Agree	11	18.0	18.0	83.6		
	Strongly agree	10	16.4	16.4	100.0		
	Total	61	100.0	100.0			

What Do You Do If You Have a Chance at Cheating on Tax Payment?

Table 8 shows that 75.4% of the respondents never take the chance of cheating on taxes and 21.3% state that if given the chance of reducing their tax liability, they would think about it if their chances of getting caught was low. Around 3.3% of the respondents stated that they always take up this type of opportunity to reduce their tax payments. The mean value is 2.721, which means that a higher number of respondents feel that if they have the chance to cheat, they would never do it.

Table 8: Chance of Cheating

		Frequency	Per cent	Valid Per cent	Cumulative Per cent	Mean	S.D
Valid	Always take	2	3.3	3.3	3.3		
	Thinking about it if not caught	13	21.3	21.3	24.6	2.721	.520
	Never take	46	75.4	75.4	100.0		
	Total	61	100.0	100.0			

What Do You Do if the Tax Rates are Increased By Some Percentage?

Table 9: Change in Tax Rates

		Frequency	Per cent	Valid Per cent	Cumulative Per cent	Mean	S.D
Valid	Try to reduce tax amount using tax saving schemes	53	86.9	86.9	86.9		
	Try to evade tax	3	4.9	4.9	91.8	1.213	.5807
	Not affected so much	5	8.2	8.2	100.0		
	Total	61	100.0	100.0			

Table 9 shows that 86.9% of the respondents agreed that if the tax rates are increased by some percentage, then they "try to reduce their tax liability by using tax saving schemes". Around 4.9% "try to evade tax" and 8.2% are "not affected so much". Mean value is 1.213, which is less than two. This shows that change in tax rates has a significant effect on tax compliance; if there is any change then the taxpayers will try to reduce their payments by investing their revenue in different types of savings schemes.

Reasons for Tax Evasion

Table 10 shows the results of one-sample Kolmogorov-Simonov test. The significance value of the six statements after applying one-sample Kolmogorov-Simonov test is shown in Table 10. Out of these six statements, statements 1, 3, and 6 have a significance value < 0.05. This means that level of corruption, complex tax rules, and influence of peer groups are significant reasons for tax evasion, whereas inefficiency of the government, feeling burdened, and the possibility of getting caught have no effect on the non-compliance attitude of taxpayers.

Table 10: Results of One-Sample Kolmogorov-Smirnov Test

Statements	Descriptive Statistics		One-Sample K-S Test	
	Mean	S.D	Z Value	Sig.
1. High level of corruption	3.855	1.2261	1.782	.003
2. Inefficiency of govt. in proper use of tax revenue	3.492	1.2466	1.300	.068
3. Complex tax rules and law	3.230	1.2027	1.804	.003
4. Possibility of getting caught is low	2.902	1.1504	1.354	.051
5. Paying tax is a burden, which is why people evade tax	2.984	1.2314	1.347	.053
6. Influence of peer groups, colleagues	2.787	1.2263	1.422	.035

Acceptability of Tax Evasion

Table 11 shows the results of one-sample Kolmogorov-Smirnov test, in which all the statements have a p-value < 0.05. This means that the mean values are all significant. Here, the mean values of the nine statements related to the acceptability of tax evasion are found. As we can see, all the statements have a mean value less than three, except statement 3. On the basis of these mean values, we conclude that a large number of respondents do not agree with the statement that tax evasion is ethical.

Table 11: Results of One-Sample Kolmogorov-Smirnov Test

Statements	Descriptive Statistics		One-Sample K-S Test	
	Mean	S.D	Z Value	Significance
1. Tax evasion is ethical if rates of tax is too high.	2.508	1.299	1.893	.002
2. Tax evasion is ethical if tax authority/ system is unfair.	2.803	1.166	1.483	.025
3. Tax evasion is ethical if a large portion of tax revenue is wasted.	3.180	1.335	1.735	.005
4. Tax evasion is ethical even if most of the money collected is spent wisely.	2.016	1.117	2.030	.001
5. Tax evasion is ethical if a large portion of the money collected is used by govt. in welfare of society.	1.967	1.182	2.354	.000
6. Tax evasion is ethical if everyone is doing it.	2.115	1.170	1.970	.002
7. Tax evasion is ethical if the probability of getting caught is low.	2.098	1.010	2.017	.001
8. Tax evasion is ethical if a significant portion of the money collected winds up in the pockets of corrupt politicians and their families.	2.656	1.401	1.378	.045
9. Tax evasion is ethical if I am not able to pay.	2.607	1.242	1.783	.003

Acceptability of Tax Evasion by Gender

In Table 12, the mean value of the nine statements for male and female respondents are compared. The findings show that a majority of the mean values are less than three. This means that a high number of respondents think that paying less tax or evading tax is not ethical. When we compare the mean values of male and female respondents, we find that except for statement numbers 2, 4, and 8, females have a mean value more than males, which means that female taxpayers are more ethical and do not evade tax, irrespective of whether the amount is used wisely by the tax authority or not.

Table 12: Results of Compare Mean Score of Tax Ethics with Gender

Statements	Mean Score		Score Larger by	
	Female	Male	Female	Male
1. Tax evasion is ethical if rates of tax are too high.	2.576	2.429	0.147	
2. Tax evasion is ethical if tax authority/system is unfair.	2.758	2.857		0.099
3. Tax evasion is ethical if a large portion of tax revenue is wasted.	3.182	3.179	0.003	
4. Tax evasion is ethical even if most of the money collected is spent wisely.	2.000	2.036		0.036
5. Tax evasion is ethical if a large portion of the money collected is used by govt. in welfare of society.	2.061	1.857	0.081	
6. Tax evasion is ethical if everyone is doing it.	2.152	2.071	0.081	
7. Tax evasion is ethical if the probability of getting caught is low.	2.121	1.964	0.157	
8. Tax evasion is ethical if a significant portion of the money collected winds up in the pockets of corrupt politicians and their families.	2.636	2.679		0.043
9. Tax evasion is ethical if I am not able to pay.	2.909	2.250	0.659	

Tax Ethics with Age

Table 13 shows the mean value of the different age groups. In our questionnaire, the respondents are classified into four age groups: 21-30, 31-40, 41-50, and above 50. If we compare the average mean of all the age groups for the nine statements, we find that a majority of the average mean is less than three. Respondents in the 21-30 age group have an average mean value of 2.390; the 31-40 age group respondents have an average mean of 2.482; the 41-50 age group have 2.722; and those above 50 years have an average mean of 2.888. The results show that the younger respondents have a lower average mean value than the older ones. On this basis, we conclude that younger taxpayers are more ethical than older taxpayers; age is also a factor that affects the compliance attitude of taxpayers.

Table 13: Results of Compare Mean Score of Tax Ethics with Age

Statements	Mean Score			
	21-30	**31-40**	**41-50**	**Above 50**
1. Tax evasion is ethical if rates of tax are too high.	2.373	2.838	3.500	4.000
2. Tax evasion is ethical if tax authority/system is unfair.	2.824	2.333	3.500	3.000
3. Tax evasion is ethical if a large portion of tax revenue is wasted.	3.157	3.167	3.500	3.500
4. Tax evasion is ethical even if most of the money collected is spent wisely.	1.902	2.167	3.500	3.000
5. Tax evasion is ethical if a large portion of the money collected is used by govt. in welfare of society.	2.000	2.000	2.000	1.000
6. Tax evasion is ethical if everyone is doing it.	2.020	2.333	3.500	2.500
7. Tax evasion is ethical if the probability of getting caught is low.	2.000	2.333	3.500	2.500
8. Tax evasion is ethical if a significant portion of the money collected winds up in the pockets of corrupt politicians and their families.	2.608	3.000	2.500	3.000
9. Tax evasion is ethical if I am not able to pay.	2.627	2.167	2.500	3.500
Average mean	2.390	2.482	2.722	2.888

Tax Ethics with Level of Education

Table 14 shows the mean value of different levels of education. In our questionnaire, we classified education into five levels: primary level, secondary level, graduate and equivalents, post-graduates, and research scholars. The average mean value for graduates is 2.652, for post-graduates is 2.443, and is 2.092 for research scholars. We do not have any primary and secondary level education respondents, so their mean values are not listed here. The mean value at all levels of education of the respondents is less than three; however, people with a higher level of education have lower average mean values than others. This shows that highly educated taxpayers are more ethical than less educated taxpayers. The former think that tax evasion is not ethical, irrespective of whether the tax rate is high, the tax system is fair, a large portion of the revenue is wasted, the probability of getting caught is low, and so on. We conclude

that education is one of the factors which is a liability for tax evasion; if the taxpayers are highly educated, then they take this liability as their civic duty and not a burden, because they know that the payment of tax is necessary for the development of the economy. On the other hand, the less educated people consider it a burden and try to evade paying taxes.

Table 14: Results of Compare Mean Score of Tax Ethics with Level of Education

Statements	Mean Score		
	Graduates	**Post-Graduates**	**Research Scholars**
1. Tax evasion is ethical if rates of tax are too high.	2.375	2.532	2.500
2. Tax evasion is ethical if tax authority/system is unfair.	3.125	2.766	2.667
3. Tax evasion is ethical if a large portion of tax revenue is wasted.	3.125	3.191	3.167
4. Tax evasion is ethical even if most of the money collected is spent wisely.	2.125	2.043	1.667
5. Tax evasion is ethical if a large portion of the money collected is used by govt. in welfare of society.	2.500	1.894	1.833
6. Tax evasion is ethical if everyone is doing it.	2.500	2.149	1.333
7. Tax evasion is ethical if the probability of getting caught is low.	2.500	2.128	1.333
8. Tax evasion is ethical if a significant portion of the money collected winds up in the pockets of corrupt politicians and their families.	2.375	2.766	2.167
9. Tax evasion is ethical if I am not able to pay.	3.250	2.553	2.167
Average mean	2.652	2.443	2.092

How Can We Reduce Tax Evasion?

Table 15 shows the mean value and significance values for the options like educating taxpayers, increasing the number of audits and penalties, and exposing people who evade paying tax. Each statement has a mean value more than three and significance value less than 0.05. The findings

show that if knowledge of tax increases, there is frequent auditing of the accounts of the taxpayers, increments in civil and criminal penalties for not paying the tax amount, and exposure of those persons who do not pay taxes or pay less than the amount due, we can reduce the non-compliance attitude of the taxpayers.

Table 15: Results of One-Sample Kolmogorov-Smirnov Test on Options for Reducing Tax Evasion

Statements	Descriptive Statistics		One-Sample K-S Test	
	Mean	S.D	Z Value	Sig.
By educating the public and improving taxpayer's services	3.902	1.3128	2.346	.000
By increasing the number of audits	3.836	1.2673	2.002	.001
By increasing both civil and criminal penalties	3.705	1.1597	2.257	.000
Through exposing people who cheat the tax system	3.836	1.1281	2.564	.000

CONCLUSION

Tax revenue is the main source of income for the government, and tax evasion is the primary cause of low government revenue. The reasons behind tax evasion are high level of corruption, complexity in tax rules, and influence of peer groups. To reduce tax evasion, the government should educate taxpayers, that is, increase their tax knowledge, through workshops and training programmes, increase the number of audits, increase the penalty amount for tax evasion, and expose the people involved in tax evasion cases. Tax relaxation is also helpful in reducing the amount of tax evasion. Findings of this study show that people do not consider paying tax as a burden and file income tax returns on time. Taxpayers also have faith in the government and do not evade tax payment. On the basis of the results, we find that female taxpayers are more ethical than male taxpayers. In addition, educated people and older ones are ethical; they do not think that tax evasion is an ethical act.

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