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KIPF BRIEF

Impact of Taxpayers' Psychological Factors on Tax Compliance

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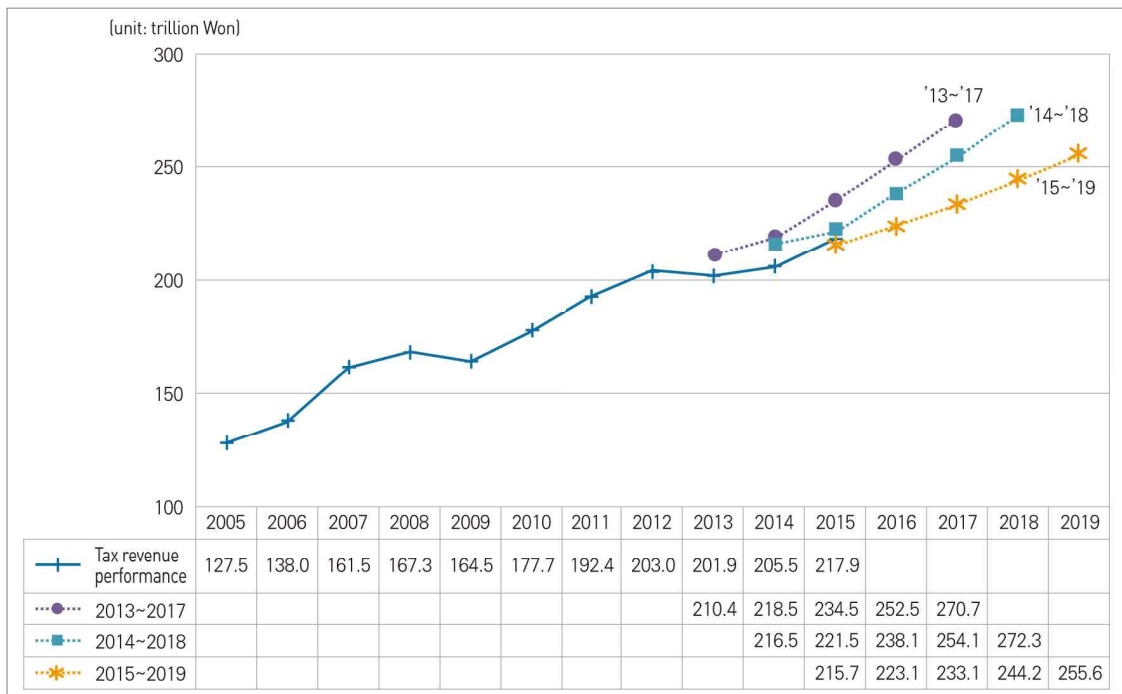
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I Background and Issues (with a focus on major tasks)

- Changes in tax revenues : Government spending has exceeded tax revenues over the past 4 years, and in 2015, the government budget was revised to match the scale of the tax revenue budget.
 - The government judged that the lack of tax revenue being generated is attributable to structural changes, and therefore, they significantly reduced their forecast for expected tax revenue, as shown in the Five-Year Public Finance Management Plan depicted in Figure 1 below.

Figure 1 : Tax Revenue Forecast Under the Yearly Public Finance Management Plan, 2015-2019



- Changes in tax expenditure : With the rate of mandatory tax spending growing faster than the GDP in the context of rising social welfare demand, tax expenditure in the

long term is forecasted to increase at an even greater rate as the population ages and the social welfare system matures.

- According to the Public Finance Management Plan for 2015-2019, mandatory spending is expected to grow at an average rate of 6.1 percent annually, and legally-required tax spending on social welfare is anticipated to increase by 6.7 percent, which is a faster rate than the GDP growth expected to occur during the same period.
- Aggregate fiscal status : Korea's public finance has consistently deteriorated since the global financial crisis of 2007-08 and the government debt ratio is expected to exceed 40 percent in 2016.
 - During the period covered in the mid-term plan, tax expenditure will likely be greater than tax revenue generated, resulting in a widening deficit of managed state finance.
- Limited tax options : As such, worsening government finance makes it increasingly necessary for the government to raise the rate of taxes. However, taxpayers, such as corporations and individual households, are struggling financially in the context of an economy that is rebounding at a slow pace, which in turn leaves the government unable to introduce new taxes or raise tax rates.
- Viable alternatives to increase tax revenue : As one of the viable alternatives for generating tax revenue when faced with these challenging financial conditions, the government could encourage tax payers to pay taxes more readily and voluntarily without attempting to commit tax evasion.
 - Many advanced countries adopted a policy to raise voluntary tax compliance after they experienced financial aggravation in the wake of the global financial crisis
- Psychological factors affecting taxpayers have been identified as key determinants of taxpayers' voluntary tax compliance.

- This study aims to raise the understanding of how taxpayers' psychological factors impact their tax compliance. The study includes a survey of Korean taxpayers, and this report discusses the emergent findings.

II Survey and Analysis

1. Overview of the Survey

●● Survey Sample and Period

- Sample : Men and women aged between 25 and 64 years living in 16 cities and provinces in Korea
- Period : November 23 ~ December 16, 2015

●● Structure of the Survey

- The survey consists of two parts : demographic data and tax compliance
 - Questions on tax compliance were designed to survey taxpayers' attitudes in seven categories, including tax compliance behaviors and the intention to pay taxes.

Table 1 : Survey Questions

Parts	Detail
Demographic data	- Area, gender, age, type of employment, education, marital status, average annual income, purchase of lottery tickets during the past one year, ideological background, etc.
Tax compliance	- Behaviors of tax compliance - Intention to pay taxes - Perception of social rules - Understanding of the tax system - Perception of equality of the tax system - Perception of national tax administration

●● Demographic Data

Classification		No. of respondents	% of total	Classification		No. of respondents	% of total
All		2,299	100.0	Average annual income	Less than 10 million won	283	12.3
Gender	Male	1,262	54.9		10 to 50 million won	1,465	63.7
	Female	1,037	45.1		50 to 90 million won	468	20.4
Age	20s(25~29)	292	12.7		90 million won or more	83	3.6
	30s(30~39)	613	26.7	Marital status	Married	1,522	66.2
	40s(40~49)	683	29.7		Single	777	33.8
	50s(50~59)	544	23.7	Area	Seoul & Gyeonggi Province	1,123	48.8
	60s(60~64)	167	7.3		Other metropolitan cities	695	30.2
Type of employment	Salaried workers	1,444	62.8		Others	481	20.9
	Self-employed	472	20.5	Education	Middle school graduates	44	1.9
	Full-time housewives	154	6.7		High school graduates	490	21.3
	Unemployed	114	5.0		College graduates (including 2-year community)	1,538	66.9
	Unpaid family members hired by a family business	115	5.0		M.A. or higher degrees	227	9.9

2. Descriptive Statistics of Variables of Tax Compliance Behaviors and Psychological Factors

1) Indicators of Tax Compliance Behaviors

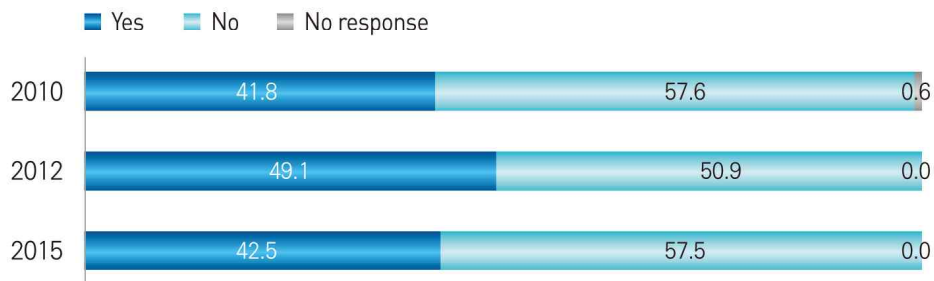
- Hypothetical compliance behavior 1 : Would you still report 10 million won in cash revenue from sales that you know that the National Tax Service could not discover, as there is no evidence of the sales?

- In response to this question, 4 out of 10 respondents (or 42.5% of all respondents) answered “yes.”

- In 2010, the figure was 41.8 percent, which rose to 49.1 percent in 2012 before declining to 42.5 percent in 2015, as shown in Figure 2.

Figure 2 : Hypothetical Tax Compliance Behavior I

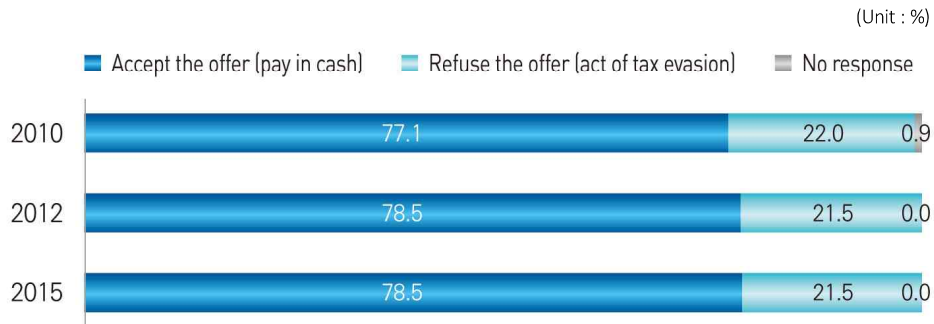
(Unit : trillion, %)



- Hypothetical compliance behavior 2 : Would you choose to pay in cash for a purchase if you are offered a 10 percent discount in return?

- Two out of 10 respondents (21.5%) said they would not accept the offer because the offer is an intention to evade tax. The rest of the respondents (78.5%) stated that they would accept the offer and pay in cash.

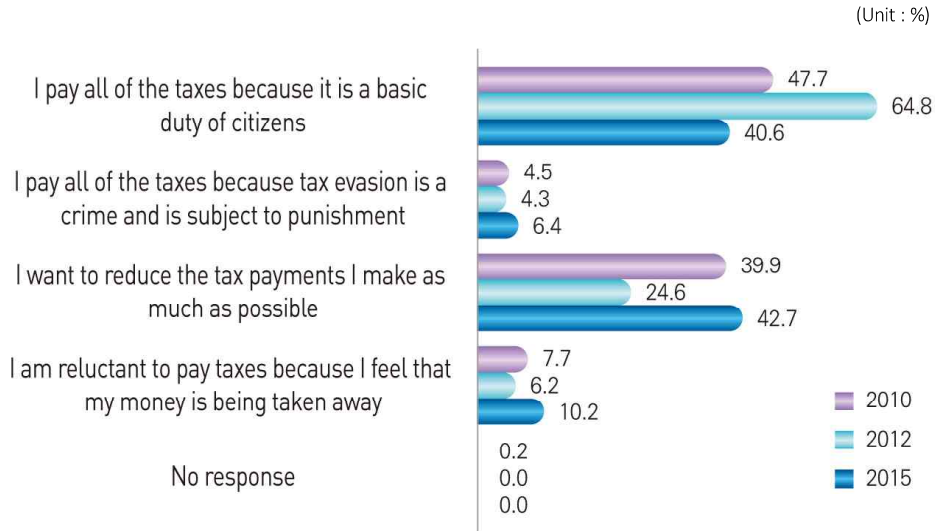
Figure 3 : Hypothetical Tax Compliance Behavior II



2) Indicators of the Intention to Honestly Pay Taxes

- Attitudes to tax payment : Responses to the question, “How do you feel about paying taxes?”
 - The response, “I pay all of the taxes because it is a basic duty of being a citizen” is interpreted as being an expression of having a positive attitude toward tax payment. The response of “I pay all of the taxes because tax evasion is a crime and is subject to punishment” is interpreted as being indicative of passive compliance. Responses such as, “I want to reduce the amount of tax payments I make as much as possible,” and “I am reluctant to pay taxes because I feel that my money is being taken away,” are viewed as expressions of having no intention to pay taxes.
 - Of our respondents, 52.9 percent were found to have no intention of paying taxes, while 40.6 percent displayed a positive attitude and 6.4 percent demonstrated an attitude of passive compliance.
 - Of the respondents who exhibited no intention to pay taxes, 42.7 percent responded that they “want to reduce taxes as much as possible,” while only 10.2 percent said that they were reluctant to pay taxes because they “feel that their money is being taken away.”

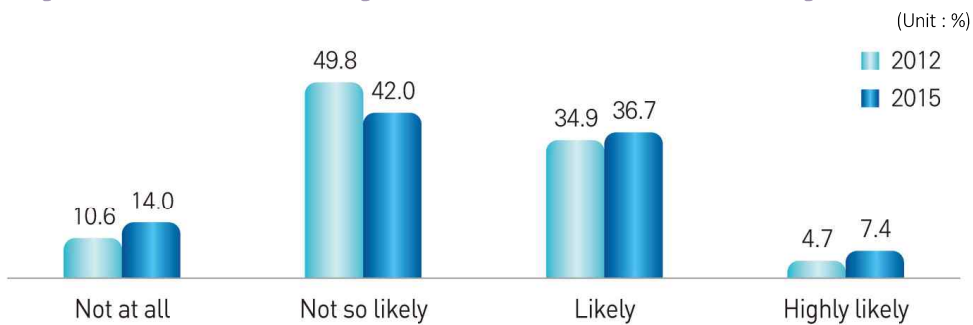
Figure 4 : Attitudes to Tax Payment



●● Risk of tax evasion : Would you evade taxes if there was no chance of being discovered?

- Less than half of the respondents (44.0%) showed the willingness to evade taxes (with 36.7% stating they “are likely to evade taxes” and 7.4% stating they were “highly likely to evade taxes”), while more than half of the respondents (56%) were found to be have a disinclination towards evading tax payment (“not at all” (14%) and “not so likely” (42%)).

Figure 5 : Likelihood of Evading Taxes If There Is No Chance of Being Discovered

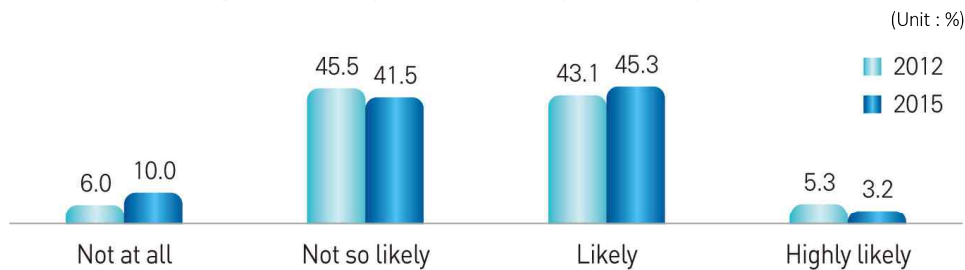


3) Indicators of Social Norms and Values

- Descriptive social norms and values 1 : Do you think most people are honest about paying their taxes?

- Negative responses were offered by 51.5 percent of respondents (“not at all” (10%), and “not so honest” (41.5%), while 45.3% answered “generally yes,” and 3.2% said, “very much so”).

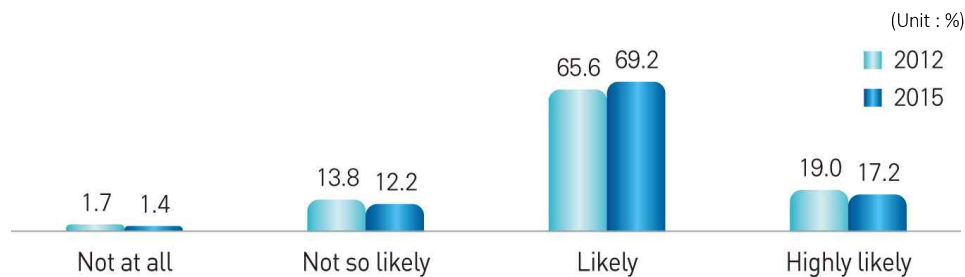
Figure 6 : Perceptions of Honesty in Tax Payments



- Descriptive social norms and values 1 : Are you, your family members, friends, coworkers and other people you know paying taxes honestly?

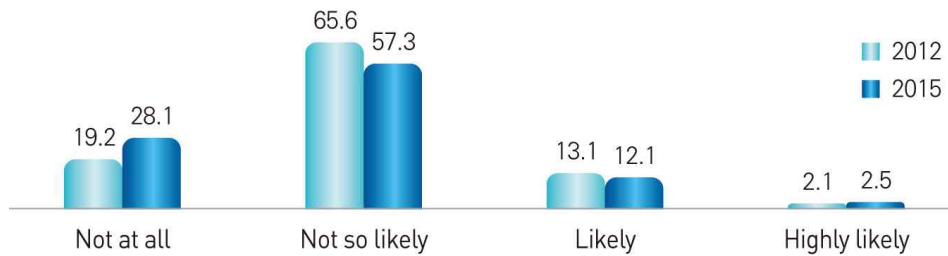
- As much as 86.4% of those surveyed said, “yes” in response to this question, far surpassing the number of respondents who answered “no.”

Figure 7 : Perception of Honest Tax Payments Being Made by Family, Friends, Coworkers and Others



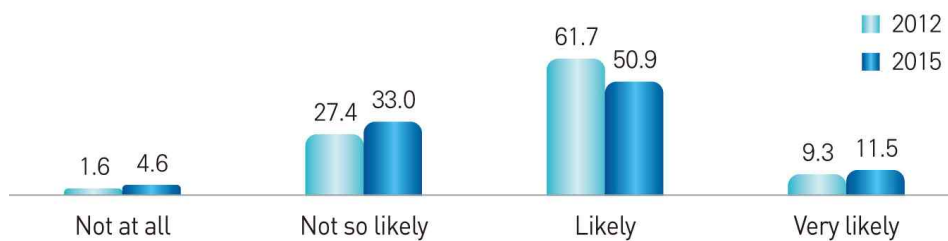
- Imperative societal rule 1 : Do you think that social condemnations or legal punishments imposed on dishonest taxpayers are appropriate or sufficient?
 - Only 14.6 percent said “yes” in response to this question, with far more respondents offering a negative response. This indicates that respondents feel dishonest taxpayers should be subjected to stronger social condemnation or legal punishments.

Figure 8 : Adequacy of Social Condemnation or Punishment for Dishonest Tax Payments
(Unit : %)



- Imperative societal rule 2 : If you tell your friend that you did not pay taxes honestly, would your friend think negatively of you?
 - In response to this question, 62.4 percent said “yes,” which means that more than half of the respondents think that being dishonest about paying taxes will cause negative perceptions to be held about them among their social circle.

Figure 9 : Likelihood of Gaining a Negative Reputation Following Dishonest Tax Payments
(Unit : %)

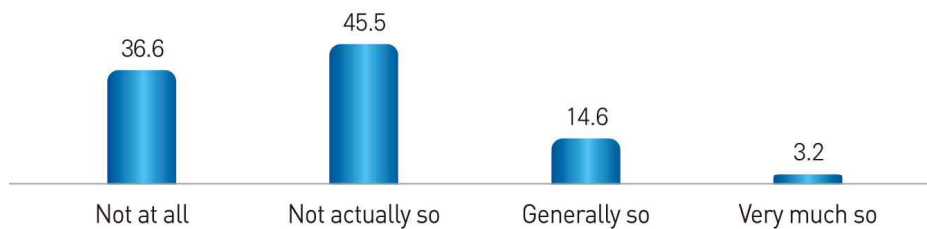


4) Indicators of Taxation Equity

- Vertical equity : Are people who are more economically secure paying more taxes?
 - Of those surveyed, 17.8 percent said “yes” (“generally so” (14.6%), “very much so” (3.2%)), while 82.1 percent responded that people who were more economically secure did not pay more taxes than the rest of the population.

Figure 10 : Vertical Equity

(Unit : %)

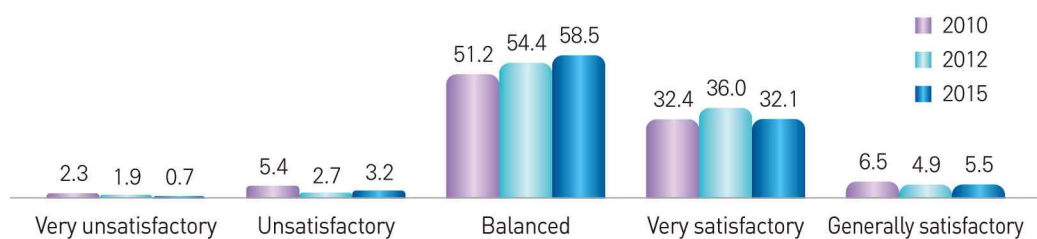


- Horizontal equity : How do you think your tax burden compares to that of others who have a similar economic status?

- Of those surveyed, 58.5 percent said that the tax burden is similar, which is an indication of the perception that tax burden is more horizontally equitable than vertically equitable.

Figure 11 : Horizontal Equity

(Unit : %)



- Equity of exchange : Are you satisfied with the benefits that you receive from the government, compared to the taxes that you pay?
 - Benefits fell below the expectations of 48.7 percent of respondents, with 26.3 percent rating the benefits as appropriate, 21.2 percent as much lower than their expectations and 3.5 percent as well above their expectations. More than half of the respondents think that the benefits they receive from the government do not meet their expectations, particularly when compared to the amount of the taxes that they pay.

Figure 12 : Equity of Exchange



5) Indicators of Comprehension of the Tax System

- Subjective understandings of the tax system : How knowledgeable are you about taxes?

Figure 13 : Knowledge of Taxes

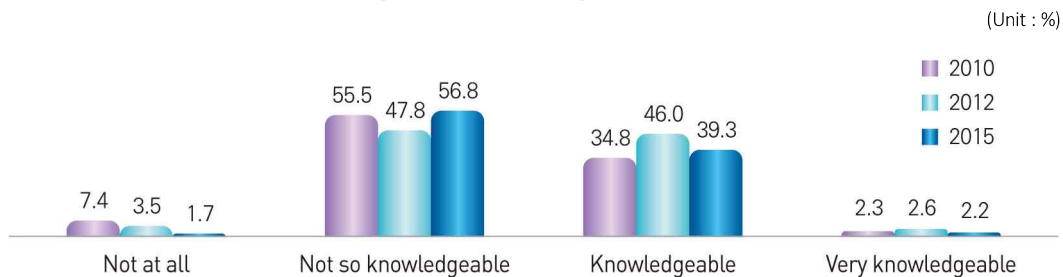


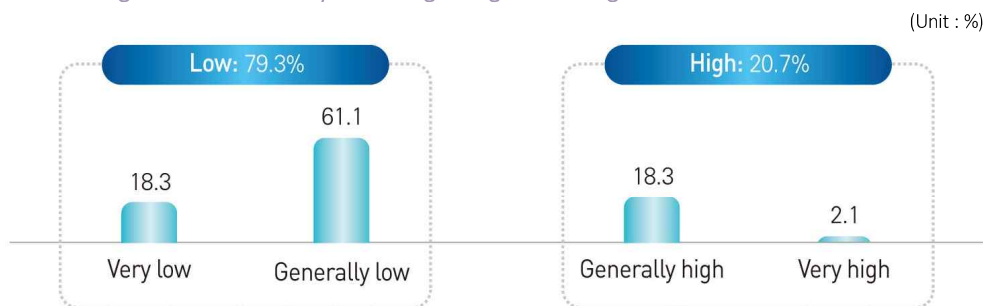
Figure 15 : Knowledge of Tax Receipt Requirements



6) Indicators of National Tax Administration Effectiveness

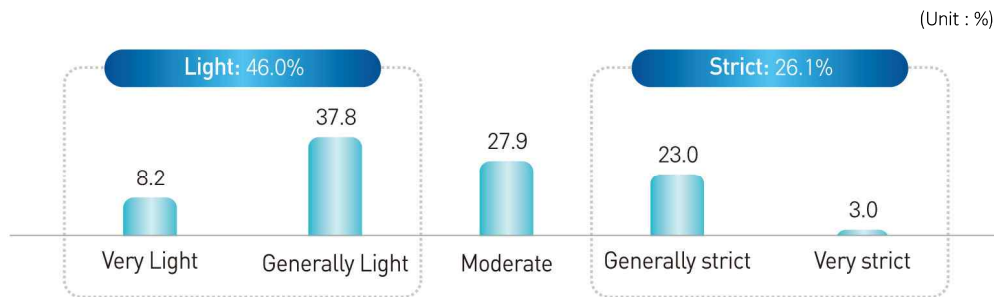
- Perception of possible detection of regular tax evasion by authorities : Do you think the tax authority is likely find out if you evade income tax payment on a regular basis?
 - The vast majority of respondents(79.3%) felt that the possibility of detection of tax evasion by tax authorities is very low, indicating that many taxpayers think that tax audits by tax authorities are ineffective for detecting tax evasion and other tax irregularities.
 - Only 18.6 percent believed that tax dodgers were likely to be caught, and only 2.1 percent responded that the possibility of being caught for tax avoidance is very high.

Figure 16 : Possibility of Being Caught for Regular Income Tax Evasion



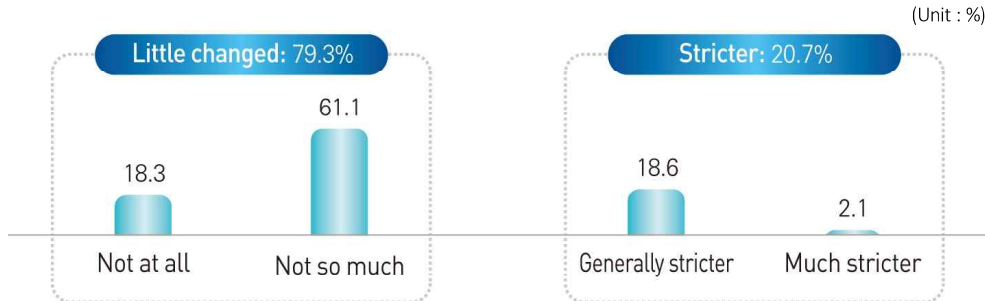
- Severity of punishment for tax evasion, if caught : How serious do you think the punishment for tax evasion would be if you were caught?
 - The vast majority of respondents (73.9%) felt that punishment enacted by tax authorities would be either light or moderate in its severity (reflected as 8.2% stating it would be “very light,” 37.8% stating “generally light,” and 27.9% stating that the punishment severity was likely to be “moderate”).
 - Less than half of the respondents (46%) felt the punishment would be light, while 26% said it would be serious (23% felt it would be “generally strict,” and 3% said it would be “very strict”).

Figure 17 : Severity of Punishment for Tax Evasion



- Changes in tax authorities' responses to delinquent taxpayers : Do you think tax authorities are responding more strictly to delinquent taxpayers than in the past?
 - Seven out of ten (70.8%) of the respondents said that tax authorities are not responding more strictly to delinquent taxpayers than before (with 14.5% stating “not at all,” and 56.3% stating “not very much so”).
 - A minority of respondents (29.2%) said that tax authorities are responding more strictly to delinquent taxpayers than before (with 26.6% stating “generally so” and 2.6% stating “very much so”).

Figure 18 : Changes in Tax Authorities' Responses to Delinquent Taxpayers

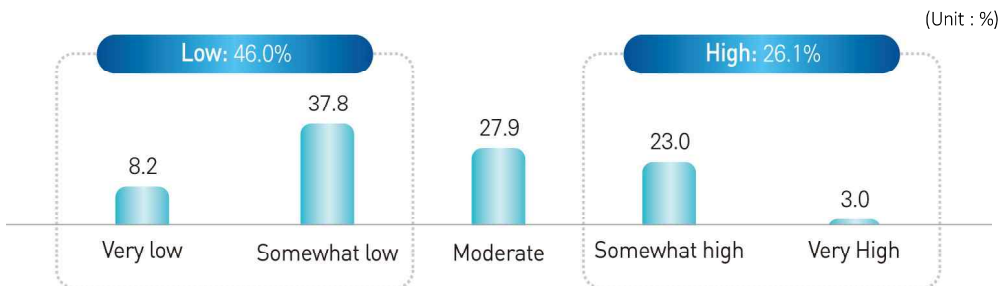


●● Cost of tax compliance : What is your opinion about the time you take on filing an end-of-year tax return or aggregated income tax (or global income tax)?

- The survey results showed that 42.7 percent felt that filing the year-end tax return or global income tax was not so time-consuming, while 41.5 percent found the task time-consuming (34.3% stated it was “somewhat time-consuming” and 7.1% said it was “very time-consuming”).

- Only 15.7 percent answered that a small amount of time and effort was required for tax compliance (2.7% said it took a “very small” amount of time, and 13% stated it took a “small” amount of time to be compliant).

Figure 19 : Cost of Tax Compliance



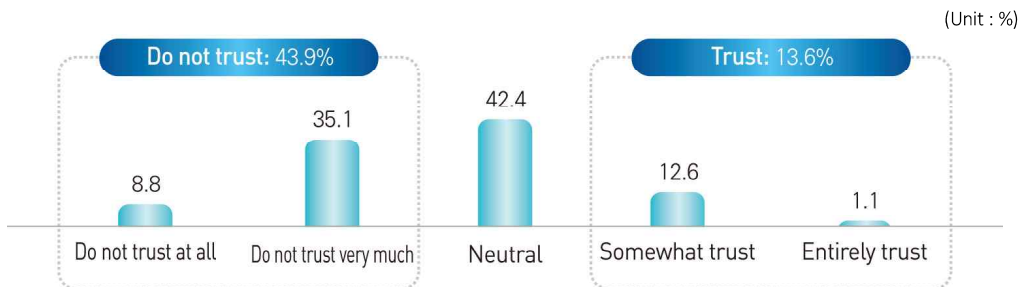
●● Trust in the National Tax Service : The degree of trust that taxpayers put in the National Tax Service (NTS), which is Korea's main tax authority.

- When asked about how much the participants trust the NTS, 43.9 percent responded that they do not trust the NTS (with 8.8% stating they “do not trust [NTS] at all,” and

35.1% said they “do not trust [NTS] very much). Among the remaining respondents, 42.4 percent were neutral on this issue.

- In contrast, only 13.7 percent said that they trust the NTS (with 12.6% stating that they “somewhat trust” the NTS, and 1.1% felt they could “entirely trust” the service).

Figure 20 : Trust in National Tax Service



3. Determinants of Tax Compliance Behavior

- The results showed that the dependent variables of tax compliance behaviors included the intention to pay taxes honestly, comprehension of the tax system, taxation equity, societal norms, values and rules, trust in the NTS. These variables were all found to be statistically significant.
 - The results were same when variables related to the national tax administration, demographic variables (gender, age, marital status), residence (the Seoul and Gyeonggi areas compared to other areas), type of employment (self-employed or employed by others), income level, and ideological factors were excluded from the analysis.
 - The findings show that psychological factors, including the intention to pay taxes honestly, comprehension of the tax system, taxation equity, societal norms, values and rules, trust in the NTS, have a significant impact on the tax compliance behaviors of Korean taxpayers.

Table 2 : Regression Analysis of Tax Compliance Determinants

Explanatory variables		Results of regression analysis	Explanatory variables		Results of regression analysis	
Psychological factors	Intention to pay taxes	0.0167***	Exogenous variable	Age	0.1162	
		(0.0011)			30s	(0.1604)
	Social rules	0.0047***			40s	-0.1076
		(0.0018)			(0.1753)	
	Taxation equity	0.0044**		50s	0.1394	
(0.0021)		(0.222)				
Understanding of the tax system	0.1954**	60s		-0.238**		
	(0.0867)	(0.1074)				
Trust in NTS (Trust =1)	0.2018**	Self-employed or employed by others(Self-employed=1)		0.2691**		
	(0.0933)	(0.1067)				
Legal & administrative variables	Possibility of being caught for tax evasion (High=1)		0.0158	Area (Seoul & Gyeonggi area=1)	-0.0586	
			(0.1117)	(0.0991)		
	Degree of punishment	Medium	0.0633	Education (College graduates or higher degrees=1)	-0.0251	
		High	-0.0964	(0.1078)		
			(0.1098)	Income (Korean won)	30 million ~ below 70 million	-0.0774
	Burden of tax compliance	Medium	0.0516		70 million or more	-0.0521
High		0.116	(0.166)			
		(0.1301)	Ideological background	Neutral (4~6)	-0.121	
		(0.1301)		Liberal (7~10)	-0.0459	
Exogenous variables	Gender (Male=1)		0.1076	Pseudo R2		
			(0.0879)	0.0776		
Marital status (Married=1)		-0.0593	Analysis model		Ordinal logit model	
		(0.1494)				

Note: Figures in parenthesis indicate standard deviation and ***, **, * mean that the figures are statistically significant at the 0.01, 0.05, and 0.1 levels, respectively

4. Determinants of Tax-Paying Attitudes, Societal Rules, and Taxation Equity

- The analysis of determinants that affect the “intention to pay taxes honestly” as a narrow definition of morality in tax payment showed that the more trust that is felt for the efficacy of the NTS, and the greater the perceived possibility of being caught for tax evasion is, the more statistically significant the rates of tax payment intention were.
 - Respondents who perceived the punishment for tax evasion as being severe had lower points than those who perceived otherwise for the intention to pay taxes honestly at a statistically significant level. The points were lower for respondents who found the cost of tax compliance involved in filing year-end tax returns and global income tax to be high. Males had lower points than females and self-employed taxpayers scored lower points than those who were employed by others.
- Similarly, points for societal rules were higher at a statistically significant level in the case of respondents who had high trust in the NTS and thought that the possibility of being caught for tax evasion was high.
 - In contrast, points for social rules were lower at a statistically significant level when respondents perceived punishment for tax evasion as being “severe” rather than “light” or “medium,” the tax compliance burden associated with filing year-end tax returns or global income tax as being “light” rather than “heavy” or “medium,” and were in their 60s rather than 50s or below, had a spouse rather than being single, or were self-employed rather than employed by others.
- As shown in the results for the intention to pay taxes and societal rules, the higher the trust in the NTS was and the higher the respondents perceived the likelihood of being caught for regular tax evasion was, the higher the points for taxation equity were at a statistically significant level.

- Points for taxation equity were higher for respondents who thought that punishment for tax evasion was appropriate, perceived the tax compliance burden from filing the year-end tax return or global income tax as being “manageable” rather than “heavy” or “light,” were male rather than female, older rather than younger, and single rather than married.

Table 3 : Determinants of Intention to Pay Taxes, Societal Rules, and Taxation Equity

Category		Intention to pay taxes	Social rules	Taxation equity	
Trust in NTS (Trust =1)		0.5617***	0.4922***	0.8588***	
		(0.084)	(0.0825)	(0.0829)	
Possibility of being caught for tax evasion (High=1)		0.5267***	0.8453***	0.8702***	
		(0.1046)	(0.104)	(0.1024)	
Legal & administrative variables	Level of punishment	Medium	-0.0803	0.2702***	0.3011***
		(0.1001)	(0.0986)	(0.0973)	
	High	-0.2479**	0.2099**	0.0719	
		(0.1025)	(0.0988)	(0.0989)	
	Tax compliance burden	Medium	-0.0061	0.3089***	0.3355***
		(0.1201)	(0.1172)	(0.1156)	
High	-0.2495**	0.4031***	-0.1887		
(0.1205)	(0.1171)	(0.1167)			
Gender (Male=1)		-0.1448*	-0.0535	0.1749**	
		(0.0817)	(0.0805)	(0.08)	
Exogenous variables	30s	-0.041	-0.0713	0.1529	
		(0.1415)	(0.138)	(0.1361)	
	40s	-0.1188	-0.1885	0.2522*	
		(0.1517)	(0.1475)	(0.146)	
	50s	0.3409**	-0.2443	0.307*	
		(0.1637)	(0.1601)	(0.1586)	
	60s	0.4683**	-0.4665**	0.4302**	
		(0.2103)	(0.2022)	(0.203)	

Category		Intention to pay taxes	Social rules	Taxation equity	
Exogenous variables	Marital status (married=1)	-0.152	-0.1885*	-0.3901***	
		(0.1003)	(0.0982)	(0.0967)	
	Type of employment (self-employed=1)	-0.3187***	-0.2612***	0.0278	
		(0.1013)	(0.0997)	(0.0982)	
	Area (Seoul & Gyeonggi Province=1)	-0.0067	0.0821	-0.0075	
		(0.0929)	(0.0915)	(0.0904)	
	Education (College graduates or higher degrees=1)	-0.0905	0.0288	-0.091	
		(0.1016)	(0.0995)	(0.0988)	
	Income (Korean won)	30 million ~ below 70 million	0.0354	0.0352	0.0098
			(0.09)	(0.0887)	(0.087)
		70 million or more	-0.0303	0.0107	-0.1231
			(0.1579)	(0.1572)	(0.1559)
	Ideological background	Neutral(4~6)	-0.14	0.0546	-0.1841
			(0.1156)	(0.1143)	(0.1132)
Liberal(7~10)		-0.3268**	-0.1687	-0.3948***	
		(0.1365)	(0.1343)	(0.1333)	
Pseudo R2		0.0351	0.0327	0.0539	
Model		Ordinal logit model	Ordinal logit model	Ordinal logit model	

Note : Figures in parenthesis indicate standard deviation and ***, **, * mean that the figures are statistically significant at the 0.01, 0.05, and 0.1 levels, respectively

5. Determinants of Trust in the NTS

- Data was analyzed to determine which variables affect the trust that the general public places in the NTS.
 - For the analysis, dependent variables were divided into two types : dummy variables on trust in the NTS and variables of Level 5 trust in the NTS.

- Regardless of the type of variables, respondents who perceived the possibility of being caught for regular tax evasion as high had higher trust in than NTS than those who held differing perceptions.
 - Respondents who perceived the punishment as being “medium” or “strict” rather than “light,” the tax compliance burden as being “medium” rather than “light” or “heavy,” were female rather than male, and single rather than married all displayed the tendency to place more trust in the NTS.

Table 4 : Impact of Exogenous Variables on Trust in the NTS

Category			Dependent variable : trust in NTS	
			Dummy variables	Level 5 variables
Legal & administrative variables	Possibility of being caught for tax evasion (High=1)		1.0395*** (0.1295)	1.1232*** (0.1063)
	Level of punishment	Medium	0.8267*** (0.1151)	0.7081*** (0.0996)
		High	0.4982*** (0.1151)	0.7002*** (0.1035)
	Tax compliance burden	Medium	0.7991*** (0.1351)	0.6598*** (0.1202)
		Heavy	0.0821 (0.1356)	0.1152 (0.121)
	Exogeneous variables	Gender (Male=1)		-0.2995*** (0.095)
Marital status (married=1)		-0.2913* (0.1628)	-0.2403* (0.1415)	
Age		30s	-0.1348 (0.1744)	-0.1325 (0.151)
		40s	0.0131 (0.1892)	0.0827 (0.164)

Category			Dependent variable : trust in NTS	
			Dummy variables	Level 5 variables
Exogeneous variables	Age	50s	-0.0051	0.1807
			(0.2443)	(0.2126)
		60s	0.1176	0.141
			(0.1163)	(0.1008)
	Type of employment (Self-employed=1)		0.1457	0.1628
			(0.1178)	(0.1028)
	Area (Seoul & Gyeonggi Province=1)		0.0142	0.0068
			(0.1076)	(0.0941)
	Education (College graduates or higher degrees=1)		-0.1517	-0.127
			(0.1191)	(0.1026)
	Income (Korean won)	30 million ~ 70 million	0.042	0.0852
			(0.105)	(0.0904)
		70 million won or more	-0.1972	-0.1779
			(0.1783)	(0.1605)
Ideological background	Neutral(4~6)	0.0114	-0.276**	
		(0.1351)	(0.1184)	
	Liberal(7~10)	-0.3155**	-0.4983***	
		(0.157)	(0.14)	
Constant			-0.3165	
			(0.2313)	
Pseudo R2			0.1010	0.0694
Model			Logit model	Ordinal logit model

Note : Figures in parenthesis indicate standard deviation and ***, **, * mean that the figures are statistically significant at the 0.01, 0.05, and 0.1 levels, respectively

III Policy Recommendations

- *Recommendation 1*: Considering that promoting mature tax morale or the willingness to pay taxes honestly and establishing societal rules for tax compliance are decisive factors that affect the tax compliance behaviors of members of the society, it is necessary to create an environment in which taxpayers can trust the NTS.
 - As the study shows, the higher the trust in the NTS is, the higher the points for the intention to pay taxes honestly and comply with societal rules will be at a statistically significant level.

- *Recommendation 2*: In addition to trust in the NTS, the study found that the perception that regular tax evasion will surely be detected and punished by tax authorities also helps enhance the intention to pay taxes honestly and enact tax compliance as a form of societal rule. Following this finding, tax authorities are required to exert further efforts to uncover tax evasion and address it appropriately.
 - Ex ante law enforcement, including tax audits and inspections, are important tools for this endeavor, however, it is also necessary to create a taxation network that serves to prevent tax evasion.

- *Recommendation 3*: In order to raise the level of trust that taxpayers place in the NTS, the tax authority should improve the rate of detection for tax-avoiding behaviors and strengthen the punishment for tax evasion in order to substantially change the perceptions of taxpayers in this regard.
 - As shown by the findings of the study, taxpayers' trust in the NTS is closely related to variables associated with the tax administration and perceptions held by taxpayers.

- In general, those who perceive the chance of being caught for regular tax evasion as being “high,” the punishment for tax evasion as being “medium” or “high,” and the tax compliance burden of filing a year-end tax return or global income tax being as “medium” all tend to feel a higher level of trust towards the NTS.
 - In contrast, when behaviors of tax evasion are justified and treated as “practices” that are inherited from the past, people will develop the perception that punishment for tax evasion is “light” and this perception may undermine some taxpayers’ trust in the NTS. Therefore, these practices should be addressed and discarded.
- *Recommendation 4* : It is necessary to provide taxpayers with more information on the distribution of the tax burden so that taxpayers have greater awareness about fact that economically better-off people are paying a higher rate of taxes.
 - If people are better informed of how, in reality, the tax burden is shared among taxpayers from different income brackets, the false perceptions that people hold regarding vertical taxation equity can be corrected.
 - *Recommendation 5* : People should be better educated on cases of potential tax avoidance or evasion that they may encounter in the course of conducting day-to-day activities in order to avoid this circumstance.
 - Among the indicators of tax morale, points for behaviors of tax compliance were lower than those for the intention to pay taxes honestly, because the possibility remains that people may not be aware that a certain behavior can be associated with tax avoidance or evasion.

IV Expected Effects

- The results of the survey conducted with the general public in Korea revealed that psychological variables, including the intention to pay taxes honestly, societal rules, comprehension of the tax system, taxation equity, and trust in the NTS, were decisive factors that had a significant impact on citizens' tax compliance behaviors.
- Improving tax compliance is a pressing task for many countries around the world who face mounting financial pressure. It is possible to expand tax revenues within the current framework of the tax system without raising taxes if the government instills the willingness to pay taxes honestly in the minds of taxpayers, establishes societal rules of tax compliance, and enhances trust in the NTS so that people are encouraged to embrace the behaviors of tax compliance on a voluntary basis.

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