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Is Tax Evasion Unethical?

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Taxation is a legal enforcement but there are certain situations in which people evade tax which we call tax evasion. Tax evasion involves efforts by individuals, corporations and other taxpayers to evade taxes by illegal means. For example, taxpayers deliberately misrepresenting or concealing the true state of their affairs to the tax authorities to reduce their tax liability. They declare dishonest tax reporting such as declaring less income, profits or gains or overstating deductions. Normally, taxpayers are trying to minimize their tax payments through legal or illegal means. Tax evasion still happens today due to different views and perceptions of tax evasion. Some people view it as ethical and some people view it as unethical based on their judgment and moral reasoning.

The earliest study conducted on the ethics of tax evasion was by Martin Crowe in 1944 for a doctoral thesis titled "The Moral Obligation of Paying Just Taxes" (McGee, 2011a). Then, this was followed by a few studies that examined the factors that influence the ethical perception of tax evasion (McGee et al., 2008; Jaafar Harun et al., 2011; Aljaaidi et al., 2011; Ross and McGee, 2013; Ariyanto, 2020). Many factors can influence the perception towards tax evasion for instance, culture (Ariyanto, 2020), demographics factors (Ross & McGee, 2013), tax system (Ramli et al., 2020) and education background (McGee et al., 2007; Jaafar Harun et al., 2011). McGee et al. (2007) found that students from accounting school were more opposed to tax evasion compared with business and economics school. They found some arguments that justifying the tax evasion was ethical where the government was involved in human rights abuse, unfair tax system, high tax rates, corruption of government officials and improper tax funds expenditures (McGee et al., 2007). Furthermore, McGee and Tyler (2011) found that women, older, less educated and poorer people are more opposed to tax evasion. Aljaaidi et al. (2011) found that tax evasion is viewed as the least serious offence in Yemen and taxpayers may exercise tax evasion.



Based on the previous studies, there are different views or perceptions on the ethics of tax evasion. Thus, McGee (2011) has emerged with “three basic views on the ethics of tax evasion”. The first view takes the position that tax evasion is always ethical. For this view, each citizen needs to pay tax because everyone has a duty to other members of the community (McGee et al., 2006). It is one of the ethical duties in society. This view holds that individuals should contribute something to the country for what they have received. They cannot become a freeloader by receiving the benefits that the government provides without contributing to the payment of those benefits (McGee et al., 2006). The second view is that tax evasion is never ethical (McGee, 2011b). This view is unethical where there is no social contract and agreement between citizens and government to pay taxes (McGee & Cohn, 2009). McGee and Cohn (2009) argued that taxation involves taking property by force without the owner’s permission. The third view of tax evasion is that tax evasion is ethical in some cases and unethical in others (McGee, 2011b). McGee et al. (2006) found that the sample population of German and Americans view that tax evasion is ethical in some cases. In addition, Sezgin et al. (2011) showed that the sample population of Turkey and Kyrgyzstan believes that tax evasion is ethical in some cases and unethical in some cases in both countries. They argued that the strongest arguments justifying tax evasion were in Turkish cases where collection of the tax revenues were used by corrupt politicians for their own families and friends. In this situation, tax evasion is ethical when the collection of tax revenues go to corruption and bribery (Sezgin et al. (2011).

The perception of ethics on tax evasion is ethical or unethical based on individual judgement and circumstances (McGee et al., 2006). As individual taxpayers, they have different ethical beliefs and levels of moral development. They view tax evasion as ethical or unethical. The ethics on tax evasion based on the different regions will have different opinions (McGee et al., 2006). This is due to cultural differences being one of the factors that affect an individual's moral decision-making (Ariyanto, 2020; Sezgin et al., 2011). Sezgin et al. (2011) suggested that legal system and gender may lead to different perceptions on tax evasion.



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