

Research Article

Understanding Tax Morale: A Critical Review of Its Impact on Compliance and Policy

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Abstract.

This research aims to analyse tax morale's effect on compliance, focusing on socio-economic, cultural, and institutional influences, particularly in developing economies. We utilise a literature review to explore theoretical and empirical insights into tax morale and compliance, assessing the impact of trust, fairness, and governance. Key factors like government trust and fairness perceptions are identified as crucial to tax morale. We also highlight the role of corporate governance in shaping compliance strategies. This study enhances understandings of tax morale's determinants and compliance implications, offering a theoretical framework for future research. As such, we recommend policy and educational measures to improve tax morale and compliance, emphasising the importance of trust and fairness. However, the review's scope is limited to available literature, suggesting empirical research is needed to validate these findings further.

Keywords: board of directors, determinants of tax morale, tax compliance, tax morale

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1. Introduction

1.1. The theoretical basis for shaping tax morale

German scholars published the first influential moral taxation research in the 1960s [1]. These scholars stress the importance of non-conventional economic analysis. They view taxation as the disposition toward tax responsibilities and non-compliance [1]. As a measure of moral taxation, their study found that self-employed people paid less employee taxes [1]. Initial tax writers related morals to taxpayer ethics [2]. Taxpayer ethics is the standard of behaviour that pays state taxes as taxpayers in their interaction with the government. Fiscal reciprocity would facilitate this relationship [2]. Feld and Frey [3] add that how the government treats taxpayers (e.g., reciprocally fair or unfair)



might affect taxpayer morale. They also claim taxpayers will trust the government more if it trusts them, raising taxes [3].

Tax morale has attracted attention since the 1990s and has become a central issue in empirical research on tax compliance; it has increased since the 2003s when Benno Torgler wrote his dissertation on tax morale [4]. Torgler's dissertation is often the basis for other researchers to define and deepen research on tax morale. According to Torgler [4], tax morale is why people cheat less than they cheat. Most people pay taxes, so tax compliance measures can eventually be observed. Compliance or non-compliance is a function of opportunity, tax rate, probability of detection, and the individual's willingness to comply or avoid. Tax compliance will also be relatively high when tax morale is high. In analysing the tax compliance conundrum, it is crucial to explain tax morale first, as the focus is more on process than outcome [4]. Furthermore, Torgler [4] argues that analysing tax morale can cause problems in economic analysis, so the only possibility to study it is to see its effects.

The question of why people pay taxes may be as old as the taxation system itself, but it does not clarify why we pay taxes freely. An essential work by Allingham and Sandmo [5], called the "AS Model" approach, gives a theoretical basis for responses based on an economic approach to crime [4]. Individuals will dodge taxes if the income generated by tax avoidance exceeds the costs of getting caught. Factors that can raise the cost of fraud, such as increased audits and harsher sanctions, should discourage tax evasion. Despite this AS model's benefits, simplicity, and widespread attractiveness in the tax avoidance literature, Alm et al. [6] point out its flaws. The problem is that the AS model does not accurately forecast taxpayer behaviour. The average level of taxpayer compliance appears to exceed what the AS model would forecast, given the chance of being discovered in a tax audit and the fines applied [6].

Feld and Frey [3] find that the exclusive reliance on the AS model of incentives can shift voluntary tax compliance. Furthermore, to link non-compliance with tax evasion, the AS model assumes a clear boundary between compliant and non-compliant behaviour, ignoring that tax non-compliance may also result from a misunderstanding of tax laws. As a result, what is meant by tax compliance and what constitutes tax evasion are sometimes unclear.

The assumption that not every person behaves like a "homo economics" model is the most notable flaw in the AS model [7]. Even though taxpayers are shown as self-centred individuals, this model presupposes that tax officials will act against their best interests

in order to achieve governmental goals. The benefits and costs suffered by tax officials for reporting and penalising non-compliant taxpayers vs. the benefits and costs of not reporting them would determine the implementation of sanctions on tax fraudsters, assuming that these officials were modelled as self-serving agents. On the other hand, tax evaders receive benefits for their benefit. Slemrod [8] foresaw this problem when he claimed that dishonest tax officers would employ higher fines for non-compliant individuals to reap larger personal rewards.

Researchers are searching for alternative models that can more accurately capture the complexity of tax compliance behaviour due to the existing model's shortcomings [9, 10]. The significance of norms in elucidating tax compliance attitudes or behaviours is the centre of attention [11, 12]. Social habits, group fit, and the AS model are combined by Myles and Naylor [13] to account for the moral penalty taxpayers bear for any departure from the underlying norm. Tax morale is included in Traxler's [14] model of the United States as a social norm for tax compliance. Traxler [14] found that the best taxpayer behavior is contingent upon other taxpayers complying with the law, indicating the presence of community interdependence. Because taxpayers perceive paying taxes as a duty, they are more likely to comply, which raises the stakes for tax fraud [15]. Accordingly, when rates decline [16] or people have more faith in the government and other parties to uphold their tax agreements, the commitment to pay taxes on time might rise [17]. Therefore, tax morale—influenced by individual and institutional norms—may represent the innate motivation of taxpayers to comply with tax laws [4, 18]. Unlike the conventional model of tax evasion, taxpayers' reasoning is constrained, and standards serve as instruments to assist individuals in making judgments about tax compliance [18].

A recent theoretical model was proposed by Bruno [19]. His model delves into the intricate relationship between tax enforcement, compliance, and morale within transition economies experiencing rapid changes in market institutions and slow evolution in political regimes. Within the model, a coordination game unfolds where the government emphasises tax enforcement and can monitor the proportion of tax-compliant agents. In contrast, two groups of agents exhibit tendencies toward tax evasion but possess limited information regarding others' evasion activities. The model underscores the impact of imperfect information on institutional quality, which influences tax morale and compliance levels. Moreover, it highlights the endogenous relationship between tax enforcement, compliance, and morale, emphasising the pivotal role of the institutional

context. Through its theoretical investigation, the paper contributes to a deeper understanding of tax compliance dynamics in transition economies, providing insights into the influence of institutional quality and tax morale on tax enforcement and compliance.

Bruno's [19] model presents several advantages over prior models, such as those proposed by Allingham and Sandmo (The AS Model) [5]. Notably, it accounts for the intrinsic relationship between tax enforcement, compliance, and morale, elucidating their dependencies on the prevailing institutional context. Furthermore, the model acknowledges the diversity among taxpayers and their perceptions of compliance, which may be organised into distinct morale reference groups. Additionally, it examines the ramifications of imperfect information on institutional quality and its subsequent effects on tax morale and compliance behaviours. This model offers a comprehensive perspective on the factors shaping tax compliance within transitioning economies.

The following paragraphs describe the understanding of tax morale by examining some effects and their relationship with tax compliance. Apart from defining the term, some researchers add characteristics and indicators to the definition of tax morale. Other researchers have also linked the definition of tax morale with aspects of citizens' obligations and several other influencing factors.

2. Key Factors in Understanding Tax Morale

The term tax morale was used by Torgler and Murphy [20] to describe the moral principle or value that individuals have to the payment of their taxes. Furthermore, they highlighted that three major aspects are necessary for understanding tax morale. These factors are as follows: (a) moral principles and attitudes (such as norms, guilt, and so on); (b) fairness; and (c) the relationship between taxpayers and the government [20, 21]. Several other academics, such as Tekeli [22] and Andriani et al. [23], have added an essential component to understanding tax morale, which is its connection to a country's culture.

2.1. Tax morale and social norms and moral attitudes

Regarding moral norms and attitudes, Frey and Schneider [24] argue that the high costs of knowing how to evade taxes can act as a deterrent to doing so illegally. Good citizens have moral qualms about engaging in illicit activities. This moral tax, which encourages citizens to fulfil their responsibilities to the state, is directly connected to the honest cost

discussed here [24]. The honest cost of engaging in criminal behaviour is increased when there is an increase in tax morale, and the motivation to avoid paying taxes is decreased [25]. According to Spicer and Lundstedt [26], the decision between tax compliance and tax avoidance is determined by sanctions and a collection of attitudes and conventions held by the population.

Pope and Mohdali [27] define tax morale as an intrinsic motivation to pay taxes. They then explained that two significant elements underlie and can influence tax morale. These two main elements influence each other, respectively, on tax morale. The first element is a cultural environment consisting of two sub-elements, namely elements of government and society. The next element is individual attitudes, composed of two sub-elements: belief in moral values and belief in religion. Elements of the cultural environment influence the individual attitude elements, affecting tax morale. Taxpayers can consider their experience with elements of the cultural climate during the decision-making process to comply with taxes. At the same time, he can use internal elements such as moral and religious beliefs to decide whether he will obey [27].

According to Kornhauser [28], tax morale is the collective designation for all non-rational causes and incentives that substantially impact an individual's voluntary compliance with the law. These factors and motivations include social standards, personal beliefs, and various cognitive processes. According to Luttmer and Singhal [29], tax morale is defined as the non-monetary motives for tax compliance and elements outside the established standard framework. This definition highlights the contrast between tax morale and its value in an economic sense. On the other hand, they admit the possibility that there are both advantages and disadvantages involved. To put it another way, compliance brought on by high tax morale can impact the taxpayer's reputation, ultimately resulting in significant economic benefits for the taxpayer.

In their comprehensive review of tax compliance literature, Fauzan et al. [30] delve into the critical role of tax morale in shaping taxpayer behaviour, positioning it as an ethical force that drives individuals to meet their tax obligations beyond mere economic incentives. Their analysis profoundly engages with the seminal work of Torgler [20], whose extensive exploration of tax morale's theoretical and empirical aspects lays the groundwork for their study. Torgler's research into the psychological motivations behind tax compliance significantly influences Fauzan et al.'s approach [30], allowing them to present a nuanced view of how moral and psychological factors are equally pivotal as economic ones in determining taxpayer actions. Through incorporating Torgler's insights, the authors not only trace the intellectual development of tax compliance

research but also highlight its multidisciplinary nature and the extensive global collaboration it entails, pointing to a broad and diverse field of study.

2.2. Tax morale and fairness of justice

According to this element, a fair tax is a tax that, following the taxpayer's perception, is fair to all taxpayers. This assumption is based on the fact that this factor applies [31]. The taxpayer may experience fear, remorse, or a low self-image due to inaccurate tax reporting. Torgler [31] contends that determining whether or not a taxpayer is experiencing adverse impacts is contingent upon whether or not the taxpayer believes that his tax is lower than what ought to be described as fair. If, on the other hand, he pays a greater sum, then tax evasion can be seen as an act of self-defence [21].

The findings of Wenzel [32] show the complexity of justice in taxation. It supports the view that a more precise separation is needed on the fairness of justice discussed: the difference between distributive, procedural, and retributive justice. These three areas appear to be potentially relevant to the tax compliance phenomenon. This difference is implicit in the concept of fairness applied to tax compliance, for example, horizontal versus vertical justice. Wenzel [32] concludes from his study that the perception of fairness plays a role in some, but not all, forms of taxpayer compliance.

Recently, Gangl and Torgler [33] found that notifying taxpayers on their tax rates and revenue expenditures improves perceived fairness. Tax authorities should prevent the appearance of audit frequency or procedural variations within a country. This can be unjust and encourage people to go abroad to avoid taxes [33]. Fairness affects tax compliance and morale. The rich may view the tax system as unfair if they believe their contributions do not benefit them or if they see their money wasted by inefficient politicians and civil workers. The wealthy and their enterprises are audited and held accountable, and they may directly compare their tax contributions to large-scale public initiatives, which might increase this sense of unfairness. The study also found that the rich are more sensitive to fairness violations and more determined to preserve and restore them. The study also tackles macro-level moral disengagement [33], suggesting coercive tax regulations to convey that tax flight and active tax avoidance are immoral. This approach closes loopholes and reduces tax haven escape, connecting the legal structure with a moral stance against aggressive tax avoidance. It is acknowledged that there is no single policy measure to secure rich tax compliance. Implement coercive

and legitimacy-based measures that emphasise fairness and legitimacy to drive compliance. This comprehensive method analyses affluent taxpayers' beliefs, cognitions, and fairness perceptions.

2.3. Tax morale and the taxpayer's relationship with the government

The relationship between taxpayers and the government is that if citizens feel that their interests are well represented in political institutions and get adequate public goods, their willingness to pay taxes increases. Conversely, in an inefficient country where corruption is rampant, citizens' trust in authority will be low, and the incentive to cooperate will be low [21].

Frey and Torgler [34] relate tax morale to the belief in its contribution to society when the society pays taxes. A taxpayer is strongly influenced by his perception of the behaviour of other taxpayers. If taxpayers believe tax avoidance is commonplace, tax morale will decline. Conversely, if they think others are honest, tax morale increases. The concept of tax morale bridges individual taxpayers' perceptions about the behaviour of other taxpayers and decisions about whether and to what extent to avoid taxes by emphasising the importance of a state institution. In various empirical studies, tax morale is an essential determinant of tax-paying behaviour. Unfortunately, tax morale is an exogenous factor in most of these studies. By introducing the moral determinants of taxation, particularly the conditional concepts of cooperation and institutions, Frey and Torgler [34] better understand the considerations underlying tax payments and tax avoidance, namely the relevance of social interactions and the importance of political institutions. These two aspects are essential in understanding the willingness of citizens to pay taxes.

According to Pope and McKerchar [35], tax morale is significant when law enforcement does not exist. Put another way, tax morale is most readily apparent when taxpayers are not required to comply with government regulations. Tax morale is defined by the OECD [36] as the motivation of taxpayers to pay their taxes outside of the legal duty to do so. María-Dolores et al. [37] claim that the morale of taxpayers becomes muddled when the legal repercussions are imposed. Although tax morale may be low, tax compliance can be high when tax authorities can apply authority to prevent tax evasion [37].

Taing et al. [38] discussed the relationship between tax morale and taxpayers' relationship with the government. Tax morale is linked to the intrinsic motivation of taxpayers to comply with tax obligations, which is rooted in the perception that paying taxes is a civic duty. The level of trust taxpayers can influence this sense of duty have in their government. Trust in government can affect tax compliance decisions, as taxpayers are more likely to comply voluntarily if they believe that their tax contributions are being used effectively and that the tax administration is transparent and accountable. However, Taing et al. [38] found that while tax fairness significantly affects tax compliance intention, the impact of trust in government on compliance intention was not statistically significant. This means that tax morale is linked to how people feel about their relationship with the government, but other things, like how fair people think the tax system is, may have a more significant effect on their plans to follow the rules.

2.4. Tax morale and cultural factor

Tekeli's study [22] directly relates to the countries' tax culture through his definition of tax morale. Tekeli defines tax morale as "the intrinsic motivation to pay taxes," emphasising the individual attitudes and values regarding tax payment within a specific cultural context. By examining the determinants of tax morale in Japan and Turkey, his study implicitly delves into the cultural factors that shape individuals' ethical principles and values concerning taxation. This approach aligns with the concept of tax culture, which encompasses the historical, institutional, and societal influences on tax compliance behaviour within a given country. Therefore, Tekeli's analysis of tax morale in the context of Japan and Turkey inherently contributes to understanding each country's unique tax culture and its impact on compliance attitudes and behaviours. Although conceptually not well structured, tax culture is defined as all residual factors that have not been considered to explain tax compliance behaviour [22]. In this aspect, the typical tax culture of a country is the whole of all formal and informal institutions associated with the national tax system and its implementation, which are historically embedded in the country's culture, including the dependencies and bonds resulting from their ongoing interactions [22].

Andriani et al.'s [23] study explores how cultural values significantly influence individuals' willingness to pay taxes, asserting that these values affect perceptions of civic duty and government roles, thereby impacting tax morale. The research uses Hofstede's cultural dimensions to show that individualism and femininity are linked to higher tax

morale, whereas power distance and uncertainty avoidance correlate with lower tax morale. The findings, robust across various analyses, confirm the direct impact of culture on tax morale, even when accounting for other factors like religiosity, pro-sociality, and institutional trust. The study emphasises the importance of considering cultural context in policy design for tax compliance and validates its conclusions through a careful methodology that addresses potential biases, highlighting the consistent influence of cultural dimensions on tax morale.

3. Definition of Tax Morale

After looking at the above studies, it can be concluded that tax morale is linked to how people feel and makes them want to pay taxes. It has nothing to do with money or economic incentives. Instead, it has to do with values and morals. It is also closely linked to the authorities, like the government and tax collectors, and the idea that collecting taxes is good for society. Tax morale is when a taxpayer has an attitude that comes from within; when it is based on the norms and values that taxpayers follow; when economic or financial factors do not cause it; when it is driven by interest in the public good rather than private gain; and when it is voluntary and not caused by law enforcement [39].

Tax morality differs from the 'economic deterrence paradigm,' in which people weigh the cost-benefit of tax compliance and trust the law enforcement system [39]. Parlaungan [39] also suggests that economic and law enforcement factors may affect moral taxation in ways that are not proportional to their severity. Compliance may be driven by the promise of improved personal and corporate networks, which will boost sales and business growth. The enforcement of tax authorities may hurt taxpayers' reputations and economic prospects [18, 40]. Human attitude counts for managing tax morale, even when the impact is material financial incentives [36, 41]. Thus, moral tax remains a dark box unless its contents are evident [28].

To make it more understandable, as Torgler [4, 20, 21] and Luttmer and Singhal [29] stated, tax morale is then closely related to its significant effect that can be observed, namely tax compliance. The following section briefly describes the relationship between tax morale and tax compliance.

3.1. Tax morale and tax compliance

Halla [42] is the first to show that tax morale affects how people follow the law. His research shows that higher taxes make people less likely to do illegal business. This piece of evidence makes the literature on tax morale even more critical. It suggests that tax morale might help explain why people pay their taxes even though they are audited, and the penalties are low. These results show that people act based on economic incentives and social norms, also called moral considerations. Halla's [42] research only used a few samples, so it is essential to be careful when interpreting how big the effect is thought to be. So, he suggests using more data to check the moral impact of taxes on people who follow the rules.

Torgler and others studied tax morale in the US, Canada, Spain, the UK, and other Asian and Latin American countries [4, 20, 25, 43-45]. They found that age, gender, education, marital status, employment, income, and religion affect tax morale. Trust in the government, judges, president, and other public officials and national pride affect tax morale. Similar results are observed by Daude et al. [46]. Tax morale in developing countries is categorised by age, gender, religious identification, self-perceived economic state, education level, and employment status. Authorities claim tax morale is affected by trust in the government and democracy, the goods and services it offers, trust in the legal system, and perceptions of its corruption. Legally trustworthy people are less likely to think the government is corrupt and more inclined to pay taxes [46].

Luttmer and Singhal [29] argue that tax morale significantly explains tax compliance decisions. They broadly define tax morale as an umbrella term that captures the non-monetary motivations for tax compliance and any relevant outside factors. For example, a person could be intrinsically motivated to pay taxes or feel guilty or ashamed if they do not comply. This compliance could be caused by a reciprocal motivation: the willingness to pay taxes in exchange for the state's benefits to the people or others, even though their fines would be higher if they did not pay taxes. People can also be influenced by others and get social recognition or sanctions. Cultural or social norms can affect the strength of intrinsic motivation, reciprocal motivation, or sensitivity to fellow citizens [29].

Alasfour et al. [47] discovered that the extent of government corruption has both positive and negative consequences on tax non-compliance and morale. Efficient use of government tax money has a negative (or positive) impact on tax non-compliance (and tax morale). Individual tax non-compliance decisions are also positively influenced

by tax rates and the taxation system, which is seen as unjust but diminishes as audit and penalty rates rise. These findings also suggest that individual characteristics are important in shaping tax morale. Gender, age, education level, employment status, and religious background all significantly impact moral taxation and compliance decisions [47].

Rosid et al. [48] found that taxpayers' willingness to comply decreases with corruption perceptions because they fear their donations would be exploited. Research shows that high perceived general, grand, and tax corruption strongly leads to purposeful tax underreporting. Governments, especially in developing countries with significant perceived corruption, must realise the adverse effects of perceptions of corruption on tax compliance. Tax morale can be improved via transparency, anti-corruption, public education, and cultural and social standards, according to Rosid et al. [48]. The study takes a holistic approach to corruption, addressing both actual levels and public perceptions, to increase tax compliance, government income, and social equity and efficiency. Later, Rosid et al. [49] examined the fundamental motive underlying tax compliance, emphasising tax morale. According to this study, even with corruption, good tax morale increases tax regulatory compliance. It uses Torgler et al. [44] to show that tax morale strongly affects compliance. The 2017 study underlines tax morale's importance in boosting tax compliance, especially in developing economies that mobilise domestic revenue. This work promotes tax morale measures to improve tax compliance and social progress.

Mayowan [50] examines the concept of tax morale and its significance in influencing tax compliance. He delves into various factors that affect tax morale, such as trust, political participation, tax policy, culture, and perceived tax benefits. The study highlights the importance of these factors and analyses them in the context of socio-demographic and socio-economic variables. The central argument is that perceived tax benefits are crucial in enhancing tax morale, leading to better compliance. His study underscores the necessity of comprehending tax behaviour and morale nuances to shape effective policy measures that can boost tax compliance rates.

Tax morale in individuals and businesses is shaped by a complex interplay of factors identified by the OECD [36]. For individuals, demographic elements such as age, education, gender, religious beliefs, institutional trust, and perceptions of government performance play significant roles. Tax certainty emerges as a critical factor in businesses, especially in developing countries, where it heavily influences business decisions. The legitimacy of tax authorities, cultural norms, and the presence of corruption

also affect business tax morale. The OECD's research [36] underscores the importance of understanding these drivers to enhance tax compliance and design effective tax policies, suggesting that addressing issues like tax certainty could lead to more positive outcomes in business operations and investment.

Bruno [19] discusses the relationship between tax morale and tax compliance, positing that tax morale is an endogenous factor influenced by taxpayers' perceptions of the level of tax compliance among their peers. His model hypothesises that a decrease in tax compliance will occur as a consequence of a decline in the quality of political institutions and a decline in tax morale. Furthermore, he suggests that tax morale can be enhanced by disseminating quality information about political institutions, improving tax compliance in transition economies.

According to Pacaldo and Ferrer [41], a comprehensive strategy covering procedural and relational taxes is needed to improve Philippine companies' tax compliance. Their research underlines the importance of government trust and law enforcement on business tax morale. Simplifying tax processes and communicating tax legislation can transparently minimise administrative expenses and build confidence when companies see fair and equitable tax revenue utilisation, encouraging voluntary compliance. Tax morale also depends on company structure and geography, with Metro Manila and single proprietorships faring differently from corporations and firms outside the capital. Fair and balanced law enforcement deters tax evasion and boosts tax morale, but unjust enforcement may discourage voluntary compliance. Government action to improve service delivery and reduce corruption is crucial to building trust and encouraging tax compliance among companies, according to Pacaldo and Ferrer [41]. These elements can help the government develop a fair and respectful tax environment for taxpayers and tax officials, fostering compliance.

Numerous other researchers have found that having a solid tax morality, or attitude, does not always lead to strong tax compliance or behaviour [25, 35, 41, 43]. Horodnic [40] found that tax morale significantly affects different types of tax evasion. Several other researchers have also found that lower tax morale is currently associated with the following:

- a. higher levels of tax avoidance or lower levels of tax compliance [19, 20, 25, 51-57];
- b. a higher level of the shadow economy [19, 24, 25, 42, 58-60];
- c. higher participation in undeclared reports [19, 61, 62] and
- d. higher enrolment in unreported wages [19, 61, 63-65].

Based on the review above, the following section details the significant determinants of tax morale. The primary references that scholars refer to on the determinants of tax morale are mainly based on Torgler's dissertation [18] and his studies in the following years with several researchers [10, 20, 25, 43-45, 59]. Then, researchers such as Lubian [66], Horodnic [40], Parlaungan [39], Kondelaji [67], Batrancea et al. [68], and several other scholars contextually explain various other determinants based on the results of their studies.

3.2. Determinants of tax morale

Torgler [18] was the first to study tax morale as a dependent variable and its causes. Torgler [4] posits several taxpayer kinds to explain why some pay taxes and others do not. These include social, intrinsic, honest, and tax evaders. Significantly, this typology will help researchers understand tax morale. The correct thing to do motivates many to pay taxes. This group also values others' opinions. Outside causes like peer pressure might also motivate taxpayers. However, social taxpayers who fear difficulty feel horrible about themselves. Different taxpayers are intrinsic. These people are influenced by their inherent values and norms, according to Torgler [4]. People who are happy with the government and tax collectors are more inclined to pay their taxes, regardless of what others think. Honest taxpayers are the most moral. This group pays taxes anyway. They are not planning to avoid taxes or break the law. Even if policymakers raised taxes, they still want to spend all taxes. Tax evaders are the final group, while the first has the highest tax morale. This category maximises utility. They consider tax law changes, audits, and fines before not paying their taxes—the worst tax morale in this category [4].

Horodnic [40] discovered that an appropriate theoretical foundation for examining tax morale is provided by institutional theory. Additionally, he contends that formal and informal institutions can be used to classify all variables found to be drivers of tax morale, except for the socio-demographic characteristics variable. Horodnic [40] states that trust is the most essential component and that tax morale positively correlates with vertical and horizontal beliefs. Based on Torgler's study [4, 31], there are, in general, 11 determinants of tax morale, in which some of these determinants have their sub-categories:

- a. Demographics: age, gender, education, religion, and marital status;
- b. Socio-economic: employment status, type of work, and financial condition;

- c. Interaction with taxes (tax knowledge);
- d. Sentiment;
- e. Fairness;
- f. Trust in government;
- g. Trust in tax authorities;
- h. Perceptions of the legal system;
- i. Democracy;
- j. Public goods;
- k. Attitude towards punishment.

Education was inversely connected with tax morale in Switzerland, Belgium, and Spain, although not statistically significant across most parameters, according to Torgler and Schneider [25]. Their finding contradicts Justicia and Theilen [69], who found that education significantly affects tax morale among state social support recipients (i.e., unemployment, pensioners, etc.). Justicia and Theilen [69] found that schooling increases tax morale in unemployed and retired people. Self-employed people who receive lesser tax benefits have lower tax morale and education. Because well-educated people are better aware and can digest media, education also affects tax morale. Higher education increases tax morale in countries with better services, fairer tax regimes, and more transparent institutions [69].

Bejaković and Bezeredi [70] delve into the complex web of determinants that shape tax morale and its subsequent impact on tax compliance in Croatia. Utilizing an ordered logit model to analyze data from 2,000 face-to-face interviews, the authors uncover a nuanced landscape where demographic factors such as gender, age, and financial standing significantly influence an individual's tax morale. Their findings suggest that women, the elderly, and those in a better financial situation are more inclined towards higher tax morale. Conversely, engagement in the informal economy, whether through undeclared work or purchasing goods and services off the books, correlates with lower tax morale. Interestingly, the authors highlight the role of perceived sanctions, noting that the anticipation of penalties for participating in informal activities can bolster tax morale. The study's contribution is substantial, offering a clearer understanding of how tax morale can be nurtured through policy measures, such as simplifying the tax system, ensuring stability and predictability, lowering tax rates, and broadening the tax base. Their work is a testament to the multifaceted nature of tax morale and its critical place in the discourse on tax compliance.

In their study, Alexander and Balavac-Orlic [71] investigate the determinants of tax morale, focusing on the role of financial and tax literacy (FTL) and perceived fairness. Analysing a sample of 626 observations, they identify significant correlations between tax morale and various socio-demographic and psychological factors, including political orientation, happiness, and community involvement. The research highlights that framing tax morale questions can alter the impact of perceived fairness, especially among financially literate individuals. The findings suggest that FTL can moderate the relationship between perceived fairness and tax morale, emphasising the importance of question framing and financial education in tax compliance strategies. The study has significant implications for policymakers and academics, pointing to the need for targeted education campaigns and multinational research to enhance tax compliance.

Paleka et al. [72] underscore the significance of education as a determinant of tax morale, which in turn influences tax compliance. They align with Jackson and Milliron [73], who argue that a higher level of education equips taxpayers with a better understanding of tax laws, potentially leading to greater compliance. This relationship is further supported by Eriksen and Fallan [74], who suggest that education contributes to taxpayers' understanding of taxation, thereby affecting their compliance decisions. The authors also acknowledge the complexity of tax compliance behaviour, noting that socio-demographic factors, including education, interact with other variables in influencing compliance. This interaction is critical, as Hofmann et al. [75] highlight in their meta-analysis, which examines tax compliance across various socio-demographic categories. Paleka et al. [72] work provides valuable insights for policymakers and tax authorities, emphasising the need for tailored strategies considering taxpayers' diverse and dynamic nature. Their research contributes to a more nuanced understanding of the factors that drive tax compliance, with education playing a pivotal role in shaping tax morale and behaviour.

Carsamer and Abbam [76] delve into the intricate web of factors that influence tax morale and its consequential effect on tax compliance, particularly within the context of small and medium-sized enterprises (SMEs) in Ghana. The authors employ a robust methodological framework, utilising the Religious Commitment Inventory (RCI-10) to gauge religiosity and factor analysis to discern the key dimensions that shape SMEs' tax compliance attitudes. Their findings intriguingly reveal that contrary to what some might expect, religiosity does not inherently bolster Ghanaian SMEs' tax compliance. Instead, Carsamer and Abbam [76] identify institutional trust, perceptions of corruption, demographic nuances, and firm-specific characteristics as pivotal determinants. The

study's revelation that tax evasion is often perceived as ethical among these enterprises underscores the complexity of tax morale and the need for nuanced policy interventions. The authors advocate for enhanced tax education, greater transparency, and the equitable enforcement of tax laws to foster voluntary compliance. The study contributes to the academic discourse on tax compliance. It offers practical implications for tax authorities in emerging markets, highlighting the multifaceted nature of taxpayer behaviour and the limitations of relying solely on religiosity as a determinant of tax morale.

Based on the research findings above, we are here to focus on the discussion of corporate tax morale by looking at how the tax morale of directors plays a role in corporate tax compliance. This focus got the attention of many researchers and became the OECD's suggestion for future research [36].

4. Tax Morale and the Board of Directors

The exploration of tax morale and its impact on corporate tax compliance has evolved significantly through the works of Richardson, Lanis, Taylor, and their colleagues [77-82]. Initially focusing on the indirect effects of tax reforms on corporate tax morale through fairness and system complexity [82], the research trajectory shifts towards examining the direct influences of corporate governance, board composition, and corporate social responsibility on tax morale [78, 79]. By 2013, Richardson et al. [80] further highlight the role of corporate governance in fostering tax compliance and discouraging tax aggressiveness. Their subsequent studies build on these findings, with a particular focus on the influence of board diversity and ethical standards on tax strategies [81] and the broader impacts of corporate reputation and governance structures on tax morale [77]. This body of work collectively underscores the multifaceted determinants of tax morale, emphasising the importance of ethical governance and social responsibility in promoting tax compliance within corporations.

Kovermann and Velte [83] used stakeholder agency theory to look at 79 research papers published between 2001 and 2018 that looked at the link between corporate governance and tax avoidance. Tax avoidance was used as a dependent variable, and at least one aspect of corporate governance was used as an independent variable. Their research shows that seven types of corporate governance are mainly responsible for companies not paying their taxes: (1) making sure that management and shareholders have the same incentives; (2) the make-up of the board; (3) the structure of ownership; (4)

pressures from the capital market; (5) audits; (6) interactions between the company and the government; and (7) pressure from other stakeholders, like employees, customers, and the public. This is the first in-depth review of all the research that has been done on the topic of how corporate governance affects tax avoidance.

In 2019, Khaoula and Moez [84] looked at how the board of directors might affect the link between tax planning and firm value. The study looks at 105 European companies from 2005 to 2012 and discovers a link between smart tax planning and high value. They also found that board independence, board diversity, and the fact that CEOs have two jobs had a big and bad impact on the connection between tax planning and firm value. Their paper adds to the field in two ways. First, it gathers the first evidence of how shareholders value European corporate tax planning practices and examines how companies act. Second, the study looks at eight years, considering how sensitive the board of directors is and how people feel about tax planning timing [84].

OECD [36] examines tax morale and its effects on tax compliance in developing countries, including individuals' and businesses' intrinsic drive to comply with taxes. The study examines socio-economic and institutional elements that affect tax morale in Africa, Latin America, and Asia. The OECD emphasises citizen engagement in tax processes, tax morale, public service quality, and taxpayer education programs. The World Values Survey, Latinobarómetro, and Afrobarometer data are used to examine tax morale and willingness to pay using probit regressions. It uses EBRD-World Bank Business Environment and Enterprise Survey data to analyse Serbian SMEs and accountants. The OECD's business survey on taxation further illuminated multinational firms' views on tax uncertainty and its effects on business decisions. Research suggests that education, age, citizenship, and religious connections increase tax morale, highlighting the need for customised policy interventions and capacity building to improve tax morale and compliance. The OECD recommends greater country-level analysis and randomised control trials to test tax enforcement strategies to understand tax morale better. The report recommends studying company tax morale and its impact on tax compliance, emphasising the relevance of behavioural economics, faith in government, and tax authority legitimacy.

Focusing on the influence of implicit tax morale on corporate tax compliance, Jarboui et al.'s [85] research underscores the significance of board gender diversity (BGD) in fostering tax compliance. Their findings reveal that firms with greater female representation on their boards are more inclined toward sustainable practices and exhibit lower effective tax rates, hinting at BGD's role in enhancing tax morale and compliance.

Additionally, the study connects sustainability performance (SP) with lower tax avoidance, suggesting that a firm's dedication to sustainability mirrors an inherent tax morale promoting compliance. Furthermore, Jarboui et al. [85] argue that robust corporate governance reflects a commitment to compliance and ethical conduct, indicative of a solid underlying tax morale. These insights collectively suggest that BGD, SP, and corporate governance are critical in shaping a corporation's tax morale, influencing its adherence to tax laws, and fostering a culture where tax compliance is integral.

Nikulin [86] analyses how tax morale affects Polish entrepreneurs' tax compliance and tax evasion. The author believes tax morale is vital to firm managers' tax evasion decisions. Nikulin [86] found that corporate managers with poorer tax morale are likelier to evade taxes, demonstrating that morality strongly influences underreporting income. The study also found that while trade regulations and tax administration satisfaction are relevant, the perceived tax burden does not significantly affect tax evasion. This challenges the idea that higher tax rates increase evasion and emphasises the role of social and institutional elements in tax compliance tactics. Nikulin's [86] study uses a novel econometric approach and primary data to examine the complex relationship between tax morale and tax evasion, providing policymakers and future tax compliance researchers in Poland with valuable insights.

The study by Wang et al. [87] explores how implicit tax morale and nonpecuniary motivations, such as religious beliefs in Buddhism and Taoism, affect corporate tax compliance in China. Firms in areas with stronger religious influences tend to have higher tax compliance, indicating religion's significant role in shaping tax morale. The relationship is nuanced, influenced by financial motivations, firm ownership types, and the presence of female managers, which can modify the impact of religion on compliance. The study also notes that cultural and institutional factors, like legal environments and tax enforcement, interact with religion to influence tax morale, suggesting a complex interplay between nonpecuniary motivations, pecuniary incentives, and formal institutions in determining corporate tax compliance behaviour.

5. Conclusion

All the research on tax morale above, starting from looking for its theoretical basis, its role in tax compliance, and the determinants that affect tax morale, focuses more on observing individual taxpayers' morale. Research on tax morale in corporate institutions

in developing countries, as identified in the OECD report [36], is relatively small compared to individual tax morale research findings. As a group of individuals, the company's board of directors has a vital role in corporate tax compliance. All determinants that affect individual tax morale can be reflected in the tax morale of individual board members of the board of directors, as identified by Alm [88], which can affect corporate tax compliance. People outside the board of directors, such as tax consultants, can influence board decisions in determining corporate taxation [88]. Hence, this review suggests that researchers study this area in the future.

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