

# TAX ETHICS AND TAX COMPLIANCE: EVIDENCE FROM EMERGING MARKETS

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## Abstract

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The purpose of this paper is to investigate the major factors that impact the level of tax ethics and tax compliance in Jordan. Furthermore, the paper addresses under which circumstances tax evasion could be accepted in order to highlight the differences between the tax ethics of Jordanian citizens and those of citizens of other countries. This research was conducted using a questionnaire survey, involving tax auditors, Jordanian Certified Public Accountants (JCPA holders), and financial managers of shareholding companies registered at Amman Stock Exchange (ASE). The paper reveals that Jordanian citizens do not evade taxes due to probable personal gains but rather because they believe that the state is incompetent in the appropriate allocation of public money and that the current political and tax system is ineffective or corrupt. Our results show that tax ethics is affected by determinants under three stages in terms of their importance in shaping taxpayers' choices. First, it is taxpayers' perception of their governments' credibility; since governmental corruption might justify tax non-compliance. By contrast, efficient governmental tax revenue expenditure avenues had a negative impact on tax non-compliance decisions. The second stage includes when the taxation system is perceived as unjust, when the tax rates are too high, and when the taxpayers are facing financial constraints, these circumstances were the central determinants of tax ethics and had a positive impact on tax non-compliance decisions. The third stage involves the surrounding referent groups since they have either a positive or negative effect on taxpayers' decisions to evade tax, at least partly, in their communities or societies. In addition to the referent group, audit rates, and penalty rates are involved in the third stage. We argue that for tax evasion to be checked and for tax compliance to acquire normative ethical connotations, the state needs to stop fiddling with the tax system and try, instead, to create a high-trust culture. The key to this is for the state to establish its own credibility first.

**Keywords:** Tax Ethics, Tax Evasion, Emerging Markets, Jordan

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## 1. INTRODUCTION

Taxes are imposed by most governments to provide infrastructure and other services such as education, health, and defense to their citizens and also to be able to execute their social obligations to the public (Nightingale, 2002; Lymer & Oats, 2012; Combs et al., 2013). Yet, meeting the needs of society requires extensive funds which an individual or society cannot contribute alone. It is the responsibility of a government to find the funds to enable provision of the basic amenities to the citizens (Asher, 2001). Individuals, thus, contribute certain amounts to the funds available for use by governments to provide necessary infrastructure for their citizens (Adeyeye, 2004; Rotimi et al., 2013). Avi-Yonah (2006), Lymer and Oats (2012), Combs et al. (2013), and others have argued that taxes are levied to: 1) provide public goods; 2) redistribute income and wealth; 3) promote social and economic welfare such as education and health; 4) ensuring economic stability such as inflation and unemployment; and 5) regulation. Therefore, the citizens are expected to show their civic responsibility by paying their taxes as these contribute to the development and administration of the society at large (Asher, 2001). However, Smith (1776) proposed that a 'good' tax should reflect a person's ability to pay, should be certain, should be convenient, and should be administratively efficient and not cause economic distortion. Furthermore, Crowe (1944) argued that only fair tax must be enacted by a legitimated legislative authority, for fair cause and not for hindering or helping business in any individual state and in line with a fair distribution of the tax burden.

Previous tax compliance studies have been conducted in many developed countries. For instance, Allingham and Sandmo (1972), and Lewis (1982) proposed that taxpayers were likely to comply if the probability of being audited was high. However, the probability of being audited is not the only factor affecting tax compliance among taxpayers. There are other factors that influence tax compliance, such as taxpayer age (Spicer & Lundstedt, 1976), gender (Vogel, 1974), level of income (Mason & Lowry, 1981), source of income (Wahlund, 1992), and equality of perception and justice (Harris, 1989). Yet, are these variables still relevant and important, and would the findings from developed countries like the US, Australia, the UK, and New Zealand be the same as the results that might occur if a study is conducted in developing tax regimes? However, there is a limited body of published research exploring taxpayers' behaviour (Loo, 2011). Therefore, this research attempted to provide empirical evidence regarding these issues to be added to the literature. Moreover, this research focused on the influence of tax ethics on compliance behaviour and the determinants of tax compliance in Jordan in order to identify in which circumstances tax evasion could be accepted as ethical and which social groups consider tax evasion to be more acceptable. Moreover, we will analyze the tax ethics of Jordanian citizens and compare it to that of citizens from other countries. Regarding the contribution of our paper to academic research, we will use McGee's (2011) questionnaire to measure the tax evasion and tax ethics of Jordanian citizens. To our knowledge, no other research has been

conducted having used an internationally recognized research tool to compare Jordan to other countries and identify the characteristics of citizens that make them justify tax evasion.

The rest of the paper is organized as follows. Section 2 identifies the concepts of tax ethics and tax compliance, and a literature review is conducted. The model and variables are discussed in Section 3. Then the results of the empirical survey are presented in Section 4. Finally, Section 5 puts forth the main conclusion, limitations, and proposals for future research.

## 2. LITERATURE REVIEW

A number of researchers have looked at compliance from different perspectives. For instance, Allingham and Sandmo (1972) defined tax compliance as a concern of "reporting an actual income". In addition, they claimed that tax compliance behaviour would be impacted by circumstances by which taxpayers have to decide under uncertainty (Clotfelter, 1983). That is, either taxpayers would benefit from tax savings due to under-reporting income, or they are required to pay out tax on the undeclared amount at a penalty rate that is higher than the amount that they would certainly pay when the income is fully declared at the correct time. McBarnet (2001) proposed that tax compliance needs to be perceived in three ways, namely: 1) committed compliance (i.e. taxpayers' willingness to pay taxes without complaint); 2) capitulative compliance (i.e. reluctantly providing in and paying out taxes); and 3) creative compliance (i.e., involvement to decrease taxes by benefiting from opportunities to redefine income and deduct expenditures within the bracket of tax laws). Allingham and Sandmo (1972, as cited in Spicer & Lundstedt, 1976, p. 263) perceived levels of tax compliance as "a special form of gambling" that may involve the probability of detection and penalties. Thus, tax authorities are required to "understand the factors underlying taxpayers' decision to comply with tax laws" (Spicer & Lundstedt, 1976, p. 295).

Allingham and Sandmo (1972), Spicer and Lundstedt (1976), Lewis (1982), and Andreoni et al. (1998) clarify that tax compliance is the outcome of interrelation among factors such as perception of equity, efficiency, and incidence (i.e., public finance views). While tax enforcement elements just as penalties and the probability of detection are also connected with tax compliance, some other labour market behaviour factors such as an individual's wages and tax bracket also contribute to tax compliance (Kirchler, 2007). Based on prior authors' definitions, there are actually certain keywords that were commonly and interchangeably used to explain tax compliance such as "obey", "ability" and "willingness" (McBarnet, 2001; Andreoni et al., 1998; Kirchler, 2007; Song & Yarbrough, 1978). Other keywords and phrases were also relevant in describing tax compliance such as "reporting all income" (Alm, 1991; Jackson & Milliron, 1986), "act of filing tax returns" (Singh, 2003). Furthermore, some authors have also integrated "timeliness", "right amount of tax" (Song & Yarbrough, 1978; Lai et al., 2005) as part of tax compliance definitions. The wider perspective of tax compliance was also illustrated in the definition provided by Andreoni et al. (1998) in which they included the desired

outcome as a result of obedience to tax laws in order “to obtain an economic equilibrium”; Allingham and Sandmo (1972), and Spicer and Lundstedt (1976) “enjoy tax saving” or “penalty”. Singh (2003) described tax compliance as voluntary action “without having to wait for follow up actions from tax authority” (p. 28). Apart from these, Song and Yarbrough (1978) included some factors of compliance in their definition such as “ethics, legal environment and other situational factors” (p. 445). However, since many empirical studies have been made to define tax compliance, for this research and based on Alm (1991), Jackson and Milliron (1986), and Kirchler (2007), *tax compliance* is defined as taxpayers’ willingness to comply with tax laws, declare the correct income, claim the correct deductions, and pay all taxes on time.

On the other hand, tax ethics refers to “the intrinsic motivation to pay taxes” (Frey, 1997; Alm & Torgler, 2006). It measures an individual’s willingness to pay taxes, that is “the moral obligation to pay taxes” or “the belief that paying taxes contributes to society” (Alasfour et al., 2016, p. 129). Literature on tax compliance has highlighted the cruciality of tax ethics (Khataybeh et al., 2021; Kim, 2020; Cummings et al., 2009; Wenzel, 2007; Lewis, 1982; Alm et al., 1992; Erard & Feinstein, 1994) and argues that compliance behaviors are influenced by individuals’ moral levels (Reckers et al., 1994; Alm & Torgler, 2006, 2011; Feld & Frey, 2002; Torgler & Schneider, 2009). The concept of *tax ethics* was introduced in the literature in the field of economics to provide a logical explanation of why people pay taxes (Slemrod, 2007). This was because traditional models of tax evasion (Allingham & Sandmo, 1972), which are based only on auditing probabilities and expected penalties, significantly underestimate the empirically-observed rate of tax compliance (Andreoni et al., 1998; Feld & Frey, 2002; Sandmo, 2005). Thus, in an attempt to reconcile the model with the data, several authors have hypothesized the existence of a moral (Alm & Torgler, 2006, 2011) or intrinsic motivation (Frey, 1997) for paying taxes, which was designated as “tax ethics”. According to Andreoni et al. (1998), “adding moral and social dynamics to models of tax compliance is as yet a largely undeveloped area of research” (p. 852).

Tax compliance has been extensively reviewed (Jackson & Milliron, 1986; Long & Swingen, 1991; Andreoni et al., 1998; Meiryani et al., 2022; Phaswana & Pelsler, 2021).

Three theoretical perspectives are used to explain individuals’ degrees of tax compliance, namely: 1) general deterrence theory, 2) economic deterrence models, and 3) fiscal psychology (Cuccia, 1994). The previous theoretical frameworks proposed that tax noncompliance could be deterred by sanctions (Tittle, 1980). They also proposed that tax compliance could be handled as a purely economic decision modelled by tax evaders’ levels of certainty of their ability to evade taxes without risking exposure to penalty (Allingham & Sandmo, 1972); and that tax compliance could be shaped by non-economic factors such as demographics, attitudes, and perceptions or compliance (Kinsey, 1987). Given the likelihood that tax evaders are rarely caught red-handed and penalized, the three theories and related findings do not provide a definite explanation of “why people pay taxes

when they have an opportunity, even an incentive, to evade?” (Alm et al., 1992, p. 21), and “over-predict noncompliance” (Andreoni et al., 1998, p. 855). Indeed, Alm and Torgler (2011) asserted that the “puzzle of tax compliance can be explained, at least in part, by recognizing the typically neglected role of ethics in individual behavior; that is, individuals do not always behave as the selfish, rational, self-interested individuals portrayed in the standard neoclassical paradigm, but rather are often motivated by many other factors that have as their main foundation some aspects of ethics” (Alm & Torgler, 2011, p. 635).

Riahi-Belkaoui (2004) attempted to evaluate the level of compliance in thirty countries globally. Tax compliance in each country was measured based on four variables, namely: 1) the situation of high economic freedom, 2) the importance of equity markets (i.e., the degree to which each country depends on equity financing), 3) efficient competition laws as measured by the response to survey questions, and 4) high moral norms (i.e., violent crime rates was used as a proxy). However, Torgler and Schneider (2005) attempted to enrich Riahi-Belkaoui’s studies, although they limited their work to a single-country analysis (i.e., Austrian) taxpayers’ attitudes toward paying taxes or tax morale. Torgler and Schneider (2005) found that the tax morale in Austria was determined by societal variables such as trust, national pride, and religiosity. They also found that if taxpayers perceive that tax evasion is a common phenomenon, their intrinsic motivation to contribute to society decreases. Moreover, Torgler (2003) analyzed the level of tax morale in transition countries and found that tax morale in East Germany was quite high, exceeding the tax morale in the Former Soviet Union (FSU) and Central and Eastern Europe (CEE). Kim (2008) reports the degree of tax evasion for 59 and 47 countries according to two reports by the World Economic Forum and the International Institute for Management Development, respectively. The scale for WEF is from 1 to 7 and for IMD is from 0 to 10. The higher number indicates a lower level of tax evasion. Kim (2008) used eleven (11) variables to measure tax evasion namely: 1) price controls, 2) public service, 3) litigation against the government, 4) collected personal income tax, 5) collected corporate tax, 6) administrative regulation, 7) GDP per capita, 8) tax system, 9) composition of government spending, 10) effective personal income tax rate, and 11) average corporate tax rate. Across the countries, a regression analysis of this data showed that tax evasion is predominantly influenced by only six variables, namely: 1) price controls, 2) public services, 3) collected corporate tax, 4) GDP per capita, 5) tax system and 6) the composition of government spending.

Numerous studies found that tax evasion in Jordan is widespread (Alkhdour, 2011; IMF, 2014; Alasfour et al., 2016; Alasfour, 2019). A study conducted by the USAID Jordan Fiscal Reform Project II in 2010 concluded that Jordan’s personal income tax voluntary compliance rates are well below international standards and that in order to come closer to international standards, Jordan should increase the rate of income tax voluntary compliance several-fold (Wartonick, 2011).

### 3. RESEARCH METHODOLOGY

The research sample of this paper are Income and Sales Tax Department auditors, Jordanian Certified Public Accountants (JCPA holders), and financial managers of public shareholding companies registered at the Amman Stock Exchange (ASE). The selection of these groups stems from their ability to either protect public interest or reduce and obstruct the growth of public revenues (Bakre, 2007; Sikka, 2008). However, "little data has been collected and examined on tax preparers in a manner that would enable assessment of preparers' effect on taxpaying behaviour and administration" (Leviner, 2012, p. 1080).

This research was conducted using a questionnaire survey since survey data sources allow a greater chance to measure tax ethics as a dependent variable and to search for factors that shape tax ethics. Furthermore, surveys enable the researcher to include many socio-economic, demographic, and attitudinal variables (Torgler, 2007). The questionnaire design developed by McGee (2011) was used in order to capture taxpayers' willingness to pay taxes. The questionnaire is still used in academic research (Tarekegn, 2015). The first part of the questionnaire covers demographic characteristics such as gender, age, education level, religious background, etc. Three of the most important personal information questions, for instance, were those highlighting participants' income levels, occupational status, and the respondents' degrees of piety. The choices of answers for the income levels, occupational status,

and the respondents' degrees of piety questions were designed to match the actual income levels and occupational hierarchy scale in Jordan. In the second part of the questionnaire, participants were asked to express their level of agreement/disagreement with statements regarding tax evasion on a seven-step Likert scale. The respondents selected a number from one to seven to reflect the extent of their agreement or disagreement with each statement, where 1 indicated "strong agreement", and 7 indicated "strong disagreement". All answers required mere ticking on the appropriate place and did not need long contemplation and writing. The statements were given a numerical score.

### 4. SURVEY RESULTS

#### 4.1. Demographic characteristics

A total of 475 questionnaires were distributed and 354 complete questionnaires were received representing a response rate of 74.52%. However, of the 354 questionnaires that were completed, 25 were disregarded due to the insufficiency of the data provided, and 329 were analyzed. The descriptive statistics of the final sample are presented in Table 1. It shows the numbers and percentages related to the 329 respondents who had taken part in this research as distributed in accordance with variables showing each respondent's gender, age, income level, work experience, religious background, educational level, marital status, occupational status, and the degree of piety.

Table 1. Demographics of respondents

Characteristic	Frequency	Percentage	Characteristic	Frequency	Percentage
<b>Gender</b>			<b>Education level</b>		
Male	254	77.2	Secondary school	19	5.8
Female	69	21	Diploma	37	11.2
<b>Age (in years old)</b>			Bachelor's degree	232	70.5
20-30	55	16.7	MA, MSc, or PhD	41	12.5
30-40	147	44.7	<b>Marital status</b>		
40-50	89	27.1	Single	53	16.1
≥ 50	35	10.6	Married	272	82.7
<b>Income level (in JD*)</b>			Widowed	2	0.6
≤ 5000	87	26.4	Divorced	2	0.6
5000-10000	162	49.2	<b>Occupational status</b>		
10000-15000	59	17.9	Unemployed	5	1.5
≥ 15000	19	5.8	Self-employed	21	6.4
<b>Work experience</b>			Public sector-employed	222	67.5
≤ 5 years	42	12.8	Privat sector-employed	77	23.4
5-10	86	26.1	Retired	4	1.2
10-15	67	20.4	<b>Degree of piety</b>		
≥ 15 years	133	40.4	Daily	292	88.8
<b>Religious background</b>			Once a week	13	4.0
Muslim	309	93.9	Once a month	2	0.6
Christian	18	5.5	Only on special holidays	16	4.9
			Never, practically never	4	1.2

Note: \* The currency code for Jordanian Dinars is JD.

Among the respondents, 77.2% of the sample were men and 21% were women. Regarding the age of the respondents, this study included four age groups with a 10-year difference between each of the sequential groups, except for the last category, which includes a wider range of participants aged 50 years and older. The largest group of respondents (147 or 44.7%) was aged between 30 and 40 years old, and respondents aged 50 and above scored the lowest number with 35 responses (10.6%).

Cumulatively, respondents aged between 20 and 40 years old constituted the largest proportion with 202 responses (61.4%). Among the majority of the respondents, 249 (i.e., 75.6%) earned less than JD10,000, while almost half of the respondents in this group (i.e., 162 or 49.2%) earned between JD5,000 and JD10,000. Fifty-nine (59) respondents (i.e., 17.9%) had an annual income of more than JD10,000. Only 19 (i.e., 5.8%) earned more than JD15,000 per year. In relation to the educational level,

the majority of the respondents, approximately 273 (i.e., 83%) received university education. A total of 232 respondents (70.5%) had bachelor's degrees, whereas 41 (12.5%) respondents had received higher education (i.e., Masters and PhDs). Only 19 (5.8%) of the respondents had received low levels of education (i.e., secondary school education). Yet, this last percentage marks only a minute proportion of the overall research sample. This minute sample triggered the question of how the participants with such low educational qualifications could have been employed by professional organizations and institutions as those addressed in this research. Ronsin (2010) attributes the presence of such culturally specific employment cases to Jordanian people's dependence on personal connections, also known as *wasta*<sup>1</sup> in Jordan, in order to achieve their goals or receive services.

As for the participants' work experiences, most of the respondents had long work experiences. While a total of 133 respondents (i.e., 40.4%) had more than 15 years of work experience; 86 respondents (i.e., 26.1%) had between 5 to 10 years of experience. Only 42 (i.e., 12.8%) respondents had less than 5 years of work experience. Regarding the respondents' marital status, while a total of 272 respondents (82.7%) were married, 53 (16.1%) were single, 2 (0.6%) were divorced and 2 (0.6%) respondents were widowed. As for the participants' religious backgrounds, 93.9% were Muslims and only 5.5% were Christians. In relation to the occupational statuses, the majority of the respondents, reaching up to 222 (67.5%), were public sector employees. Private sector employees represented 23.4% of the research population. Finally, regarding the degree of piety, a total of 292 (88.8%) of the respondents attend religious services daily, whereas 16 (4.9%) attend religious services only on special occasions. A total of only 4 (1.2%) of the respondents do not attend religious services at all.

#### 4.2. Results of descriptive statistics

Table 2 presents the mean and standard deviation (*SD*) of the respondents' statements that expressed their agreement with the morality of tax evasion and those of respondents' statements that expressed counter stances. It shows that the three highest-scoring criteria where tax evasion was not justified were V07, V05, and V02 which correspond to the following: When tax revenues were spent on worthy projects, if a large portion of the money collected was spent wisely, and if the tax rates were not too high, with means of 6.410, 6.361, and 6.295, respectively. Such a result indicates that Jordanian citizens tend to have strong tax ethics if they feel that there is a fair allocation of wealth on the part of the state. Conversely, the three lowest-scoring criteria under which tax evasion was justified and morally accepted were in cases where the government was considered to be corrupt and when the government abused human rights. However, the standard deviation varied throughout the criteria with the highest variation where tax evasion found great support. Such variation was found in cases where a significant portion of the money collected was winded up in the pockets of corrupt politicians or

their families and friends (V11 — 2.455). Tax evasion was also considered to be ethical if a large portion of the money collected was spent on projects that the respondents morally disapproved of (V06 — 2.377), and when the government discriminated against citizens based on their religion, race, or ethnic backgrounds (V16 — 2.368).

**Table 2.** Research items and mean values

Code	Item	Mean	SD
V01	Tax evasion is ethical if tax rates are too high.	4.921	2.151
V02	Tax evasion is ethical even if tax rates are not too high because the government is not entitled to take as much as it is taking from me.	6.295	1.351
V03	Tax evasion is ethical if the tax system is unfair.	4.343	2.253
V04	Tax evasion is ethical if a large portion of the money collected is wasted.	4.070	2.290
V05	Tax evasion is ethical even if most of the money collected is spent wisely.	6.361	1.337
V06	Tax evasion is ethical if a large portion of the money collected is spent on projects that I morally disapprove of.	3.599	2.377
V07	Tax evasion is ethical even if a large portion of the money collected is spent on worthy projects.	6.410	1.256
V08	Tax evasion is ethical if a large portion of the money collected is spent on projects that do not benefit me.	5.559	1.925
V09	Tax evasion is ethical even if a large portion of the money collected is spent on projects that do benefit me.	6.271	1.310
V10	Tax evasion is ethical if everyone is doing it.	5.760	1.859
V11	Tax evasion is ethical if a significant portion of the money collected winds up in the pockets of corrupt politicians or their families and friends.	3.960	2.455
V12	Tax evasion is ethical if the probability of getting caught is low.	6.068	1.574
V13	Tax evasion is ethical if I cannot afford to pay.	5.204	2.080
V14	Tax evasion is ethical if penalty rates are low.	6.009	1.672
V15	Tax evasion is ethical even if it means that if I pay less, others will have to pay more.	6.213	1.462
V16	Tax evasion is ethical if the government discriminates against me because of my religion, race, or ethnic background.	4.106	2.368
V17	Tax evasion is ethical if the government imprisons people for their political opinions.	4.742	2.277
	<i>Average</i>	5.288	1.257

To sum up, this paper found that tax non-compliance decisions are affected by determinants that are categorized under three stages in terms of their importance in shaping taxpayers' choices. First, is taxpayers' perception of their governments' credibility. Since governmental corruption might justify tax non-compliance. However, there could be an affirmative duty to evade taxes in some cases in which tax non-compliance would be morally justifiable and acceptable.

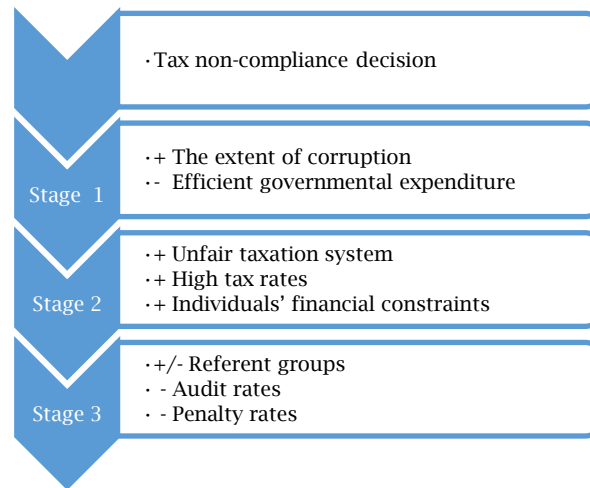
By contrast, efficient governmental tax revenue expenditure avenues had a negative impact on tax non-compliance decisions. That is, spending tax revenues wisely, on worthy projects, and in avenues

<sup>1</sup> <https://jordantimes.com/opinion/walid-m-sadi/wasta-and-wasta>

that yield benefits to taxpayers would enhance tax ethics and, therefore, reduce tax non-compliance. This is because tax evasion would become a morally unjustified and unaccepted behavior. These two cases would be mutually exclusive. As for the second stage (i.e., when the taxation system is perceived as unjust), when the tax rates are too high and when the taxpayers are facing financial constraints, these circumstances were the central determinants of tax evasion and had a positive impact on tax non-compliance decisions. The third stage involved

the surrounding referent groups since they have either a positive or negative effect on taxpayers' decisions to evade tax, at least partly, in their communities or societies. In addition to the referent group, audit rates, and penalty rates are involved in the third stage. Although the results showed a statistically insignificant impact for both, yet they were still negatively associated with tax non-compliance decisions, specifically, under a corrupted government. Figure 1 summarizes all tax ethics variables that affect tax compliance.

**Figure 1.** The magnitude of tax ethics and tax non-compliance decisions determinants



#### 4.3. Comparison with other countries

This paper was grounded on a questionnaire developed by Prof. Robert McGee, which has been

utilized as a research instrument in similar studies. Table 3 presents the results of similar surveys that have been conducted in eight different countries.

**Table 3.** Comparing answers of Jordanians of different ages and citizens of 8 countries

Item code	Jordan	Germany	Bosnia	Hong Kong	Romania	Guatemala	Argentina	Slovakia	India
	*	McGee et al. (2005)	McGee et al. (2006)	McGee et al. (2008)	McGee & Preobragenskaya (2006)	McGee & Lingle (2008)	McGee & Rossi (2006)	McGee & Tusan (2008)	McGee & Jain (2012)
V01	4.92	6.38	5.06	5.30	4.17	5.20	4.80	5.34	4.69
V02	6.30	6.31	5.76	6.00	5.00	6.30	6.50	6.11	5.49
V03	4.34	6.21	3.93	4.50	3.87	4.50	4.40	4.89	3.72
V04	4.07	6.04	4.14	4.20	4.38	4.40	4.70	4.74	3.57
V05	6.36	6.00	6.09	4.40	4.80	6.30	6.60	5.91	5.93
V06	3.60	4.97	5.65	4.70	4.69	4.80	5.50	5.32	4.91
V07	6.41	5.13	5.80	6.20	4.95	6.00	6.40	5.66	5.48
V08	5.56	5.07	6.09	6.50	4.86	6.30	6.50	4.61	5.71
V09	6.27	4.76	5.66	6.00	5.24	6.20	6.20	5.41	5.74
V10	5.76	4.48	3.44	3.70	4.18	3.70	4.20	4.04	3.61
V11	3.96	4.25	5.74	6.00	5.16	6.20	6.50	5.26	5.66
V12	6.07	4.24	4.66	4.00	4.45	4.90	4.80	4.89	4.85
V13	5.20	4.03	4.30	4.80	4.16	4.50	4.10	4.83	4.36
V14	6.01	3.69	5.81	6.00	5.03	6.10	6.30	5.38	5.57
V15	6.21	3.65	4.89	-	4.50	4.00	4.10	2.80	4.27
V16	4.11	3.59	3.44	-	4.07	4.30	4.60	3.35	4.03
V17	4.74	3.41	3.92	-	4.32	4.70	4.90	3.95	4.37
Mean	5.29	4.89	5.03	5.25	4.59	5.23	5.40	4.91	4.88

Note: \* Author's calculations.

Compared to other countries, Jordanian citizens have less tolerance for tax evasion, with an average of 5.29, while the average of the rest of the countries is 5.04. The country with the weakest tax ethics is Romania with an average of 4.59, while the country with the highest tax ethics appears to be Argentina with an average of 5.40. Except for Jordan, the question that has received the lowest ranking in

all countries is the one related to corrupted politicians and abuse of public money. On the other hand, items V02 and V05 present the highest mean values in all countries, which means that tax ethics is positively affected by justice and efficiency in the tax system and proper allocation of public money.

Our results are in accordance with those of similar studies. The finding that tax ethics and tax

compliance are highly affected by the level of corruption in the government is consistent with the findings of Gupta (2008), Joulfaian (2009), Crequeti and Coppier (2009), Alasfour et al. (2016), among others. Specifically, tax evasion would be highly acceptable, if not obligatory, when tax revenues are spent on projects that taxpayers morally disapprove of. Similar evidence is reported by Rothstein (2000) and Seligson (2002). Therefore, those who engage in tax evasion often justify such behaviour by suggesting that the government wastes tax revenues and spends unwisely, an argument which might decrease voluntary compliance in the long run (Braithwaite et al., 2010), undermine the legitimacy of the political system and interpersonal trust (Seligson, 2002). By contrast, if taxpayers trust their governments, political representatives, and the judicial system, taxpayers would be more willing to comply with their tax obligations (Alm, 1999; Alm & Torgler, 2011).

Alasfour (2019) argued that the procedures of state formation and functionality in Jordan have created mutual distrust between the state and its citizens. The consequences of this distrust are both the significant extent of tax evasion on the one hand, and the extremely complicated, volatile, and quite often unfair character of the Jordanian tax system on the other. Sanyal et al. (2000), and Akdede (2006) concluded that corrupt tax officials may encourage taxpayers to escape tax payments by paying a bribe. Joulfaian (2009) argues that tax evasion thrives when bribes paid to tax officials are commonplace, and the ability of the tax officials to accept bribes from the taxpayer increases when there is no suitable reward for the tax officials to detect the evasion. Taxpayers may find it more affordable to pay a bribe for tax officials rather than to pay their taxes, however, Akdede (2006) found that when a bribe is large, taxpayers prefer to pay their taxes voluntarily rather than to evade taxes. Heidenheimer and Johnston (2011) argued that in the context of pervasive and cumbersome regulations in developing countries, corruption may actually improve efficiency and help growth, that is "in the second-best world when there are pre-existing policy induced distortions, additional distortions in the form of black-marketing, smuggling, etc., may actually improve welfare even when some resources have to be spent in such activities" (Bardhan, 1997, p. 1322).

Lack of transparency and accountability in the use of public funds have the effect of building public distrust both in the tax system and the government, which in turn is believed to increase the level of tax evasion (Pashev, 2005). Therefore, "the way out of this virtuous cycle is for trust to be created between the citizens and the state" (Alasfour, 2019, p. 243). Using clear and transparent procedures with taxpayers, listening to their concerns, and helping them to meet their tax obligations, are all part of the new paradigm of tax compliance that seeks to build a relationship of trust and respect between taxpayers and authorities (Braithwaite, 2003). Taxpayers respond to the treatment received from authorities when deciding whether to comply with their taxes (Feld & Frey, 2002). Overall, fair treatment of those who deal with the output side of government procedural justice is a key element in eliciting cooperation and trust from individuals (De Cremer & Tyler, 2007).

## 5. CONCLUSION

Tax evasion is an economic and social phenomenon that has always been in the center of public policy. Taxpayers commit tax evasion when they believe that public money is not allocated efficiently from the government to the citizens. Consequently, transparency is of utmost importance to taxpayers for them to believe that their contribution to public income is important and necessary. Therefore, it is very important for the state to have a legal framework that holds politicians accountable for their decisions and actions regarding the management of public money. Rebuilding the trust between the government and the citizens is perhaps the only solution to tackle tax evasion and this is where the current political system should focus its efforts on.

Comparing the results of our study with those of similar studies in other countries, we observe that there are no significant differences in the way tax ethics is perceived by the citizens. Perhaps the only noticeable difference between Jordan and the majority of the other countries analyzed in the present study is the fact that tax ethics receives the lowest mean values in V07, which means that Jordanian citizens do not consider tax evasion as an unethical action if a large portion of the money collected was spent on projects that the respondents morally disapproved of. Yet, "each individual has a different set of ethical values" (Kohlberg, 1976). This means that what might be ethical for someone could not be just as ethical for others (Cummings et al., 2009; Alm & Torgler, 2011). The law and economics literature applies utilitarian ethical principles to conclude that what is efficient is ethical. Yet, there are some practices that might be commonly considered unethical in certain cultures, like gambling for instance. While gambling is ethically and legally accepted in many countries (the UK and the US, for example), it is unethical and illegal in others such as Jordan. In this context, (2014) reported that gambling would "hardly be the only "un-Islamic" activity allowed in Jordan, a country whose bars and nightclubs make it a magnet for tourists from the Gulf". However, Al Jazeera Transparency Group (2014) reported that the "casino issue" was not considered entirely problematic on the national level. But the way in which the deal was negotiated (i.e. when signing the governmental approval to build the casino, behind closed doors, with no public input), sparked almost universal anger.

The current research instrument has been used to measure tax ethics in Jordan for the first. We propose that further research should be conducted in order to make generalizations about this study's subject. The main constraint and limitation of the current research is the bias of the survey respondents. Future research should focus on a qualitative approach to understand the underlying factors that lead citizens to tax evasion. For example, in-depth interviews of different population groups could contribute to further understanding of how tax evasion manifests itself in different social contexts.

We have suggested in this paper, that the way out of this virtuous cycle is for trust to be created between the citizens and the state. Naturally, the necessary moves towards the establishment of trust ought to be undertaken by the state, since it is the largest and most powerful collective citizen.



A state that will exemplify in its discourse and, mainly, in its behavior, the principles of credibility, fiscal responsibility, professionalism, meritocracy, and efficiency, and will make its own behavior consistently bounded by the rule of law, will have higher chances of creating a high trust culture than otherwise. Efforts to fight tax evasion by enacting even more complicated as well as severe legislation

simply help perpetuate the virtuous cycle; they are “first-order solutions” (Watzlawick et al., 2011). By contrast, a “second-order solution” would require that the problem be defined in a radically different manner: not so much as a tax-system problem but as a cultural problem. If this is accepted, then the onus is, primarily, on the government rather than the citizen to prove that it deserves to be trusted.

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