

RIGIDITIES OF INTERFERENCE BETWEEN TAX AUTHORITIES AND TAXPAYERS

IONEL LEONIDA, PH.D.

CENTRE FOR FINANCIAL AND MONETARY RESEARCH“VICTOR SLĂVESCU”,
leonidaionel@yahoo.com

Abstract:

The research regarding the interaction between the sovereign tax (as tax collector and administrator) and taxpayers (as payers and beneficiaries / consumers of goods and services) should become a priority concern of tax and scientific authorities in order to identify the possibilities for modeling the fiscal behaviour of tax payers, developed by tax evasion or other forms that are not conforming to tax obligations, which, in present, affect the collection of dues and generate fiscal imbalances.

In the context of interference between tax authorities and taxpayers certain rigidities appear demanding the need for reassessment interaction moods between the two sides, from those based on authority and punishment to interaction methods in which mutual respect, counseling and modelling the fiscal behaviour and education of the taxpayer should prevail .

Key words: tax system, tax culture, taxpayers, tax behavior, authorities

Jel classification: H2, H22, H26, H3, H30

The existence, operation manner and level of socio-economic development of states have a high dependence on the existing national tax system. Their current performance is related to the history of their own tax system, the way it was designed, how it was adapted to the progressive stages of development of that state, how it managed to induce, besides the feeling of fiscal constraint, a certain education among tax payers that would encourage voluntary compliance to payment of tax obligations and generate a sense of trust in authorities and effective recovery of contributions by providing public goods and services.

Scientific concerns that were early for this sensitive segment of the interaction manner between authorities and taxpayers were manifested in the Austrian (Joseph Alois Schumpeter¹⁵³, economist) and German (Franz Hermann Günter Schmolders¹⁵⁴, economist and sociologist) economic schools. After the 70s, the concerns for this research segment diminished, at least in terms of the number of published studies, since it appears that there were deep concerns in the “science labs” in this period, too, materialized in the explosion of studies in the 90s. Important contributions to the enrichment of knowledge in this area of research have had a number of researchers¹⁵⁵ and research methodologies applied in most studies are of an interdisciplinary nature, being based on the transfer and combination of several concepts from economics and sociology, which offer opportunities for identification of positive results that can positively shape the interaction between tax authorities and taxpayers.

At the level of taxpayers, the understanding of the functionality of the tax-budgetary system and its acceptance are essential motivational and rational elements for

¹⁵³ Schumpeter, Joseph A. (1929): Ökonomie und Soziologie der Einkommensteuer.

¹⁵⁴ Schmolders, Günter (1970): Survey Research in Public Finance – A Behavioral Approach to Fiscal Theory.

¹⁵⁵ Ajzen (1991), Alm și Torgler (2006), Bordignon (1993), Braithwaite (2003), Blanchard și Shleifer (2000), Engel și Hines (1994), Coleman și Freeman (1997), Elffers (2000), Frey (1997), Frey și Holler (1998), Guala și Mittone (2005), Kirchler, Hoelzl și Wahl (2008), Kirchler și Wahl (2010), Lee (2001), Lin și Yang (2001),

manifesting the compliant or noncompliant behaviour to pay tax obligations. Thus, certain rigidities in manifesting the tax behaviour of voluntary compliance to pay the tax obligations appear at the level of taxpayers, that materialize in:

- rigidities arising from social myths and perceptions about the terminology of the term “finance”, which had historical connotations of fine set by the court (Latin) and usury, deception and fraud (German). Amid such perceptions and experience and confronted with the obligation to pay taxes, taxpayers tend to be inclined to oppose a certain resistance to a certain degree, which can lead to tax evasion or tax avoidance;
- rigidities generated by the perception of the taxpayer community on the tax inspector who collects taxes through the process of identifying some cases of breaches of tax liability and the imposition of sanctions and penalties provides, firstly, a simplistic picture of the reality of modern tax administration and, secondly, allow the taxpayer a negative assessment of the tax system;
- rigidities arising from complexity, high abstraction level of language and high frequency of changes in the tax laws, resulting in reduced understanding, difficulties in complying with tax legislation and, consequently, the deformation of tax behaviour by dilution of interest in the tax system;
- rigidities arising from inefficient allocation of public resources constituted at the local or national budgets on account of taxes and duties of taxpayers, cases of corruption in the allocation of public funds or tax evasion and tax fraud at high level, which undermines the morality of honest taxpayers and directs their behaviour towards non-compliance;
- relational rigidities, such as tone of voice, dignity and respect for relational and symbolic aspects in their relations with public institutions. If these aspects are valued contributors as low, then they are likely to have a similar behaviour;
- rigidities arising from the relevance of equity issues arising in the field of taxation, which demonstrates that perceptions of unfair treatment in comparison to others and unfair treatment in terms of benefits of a certain taxpayer from public goods are relevant components of tax behaviour manifestation. Equity issues are apparent through: assessment of resource exchange (benefits - costs); resource distribution processes and enforcement of sanctions in case of breaches of the law. If taxpayers evaluate these aspects as unsatisfactory, they will manifest possible behavioural actions to reduce their tax contributions;

Summing up the behavioural elements of voluntary compliance with the rigidities set forth, a particular tax mentality is outlined at the level of each taxpayer expressing his confidence in connection with the implementation of the tax fiscal and its results, materialized in the quality and quantity of public goods, the credibility and fairness that they emanate.

Tax payer mentality also detects characteristics of the national tax authority that is collecting taxes and duties, arising from the fact that the organization and implementation of fiscal control may not exceed a certain tolerance of taxpayers towards those who commit fraud or evade the payment of tax liabilities, thus fuelling the sense of complicity of the tax authority in perpetuating tax evaders. If the state's interests and entitlement to collect taxes is not respected both by taxpayers and especially by the tax authority, tax laws lose their authority and compliance becomes relative. Thus expressed, tax mentality stores elements of the national tax system, which explains the successes or failures of a particular tax system, normative characteristics but especially cultural differences between countries.

At the level of authorities, the awareness on certain problems associated with the complexity of the tax law is raised both at tax inspectors and taxpayers, which are associated to issues connected to some difficulties in making the tax system fair for all taxpayers, but also some shortcomings selection of staff with good moral and professional qualities. Aware of these shortcomings, the tax authorities in some countries are making efforts to simplify and reduce the frequency of legislative changes bearing on fiscal behaviour and engage taxpayers to support the proposed changes. Also to reduce shortcomings and for positive modelling of the taxpayer behaviour, tax authorities in some countries use surveys and studies to determine public opinion in order to obtain taxpayer preferences and acceptance level by discussing topics such as benefits and disadvantages of fixed tax rates as opposed to progressive tax rates and some problems associated with fiscal equity.

Although aware of certain aspects that stiffen the taxpayer behaviour at national level, too, local tax authorities apply methods based on increased use of punishment as primary response in identifying evasion. Such methods are characterized by certain rigidities in positively shaping fiscal behaviour, such as:

- rigidities generated by traditional regulatory ways of the tax authorities generally focused on the command and control system with almost automatic implementation of penalties for evasion, and failure to observe the legal principle of the presumption of innocence. This proves, more frequently, that it is unsuccessful and leads to decreased confidence in the tax institution;
- rigidities at the level of tax inspectors, who play a key role in ensuring overall compliance of taxpayers. If they develop a relationship based solely on authority, characterized by poor communication skills, lack of technical and legal knowledge and inconsistency in punishment, compliance with current and future tax liabilities could decrease;
- rigidities created by the existence of the phenomenon of corruption of tax inspectors. Creating incentives for successful controls can be useful in a system with an increased rate of evasion. However, this strategy also creates a mentality of “policeman” among tax authorities that “hunt down” the culprits, instead of a relational approach to the taxpayer, which aims at a correct interaction between tax authorities and taxpayers.

Conclusions

At the level of interaction between tax authorities and taxpayers, certain ways based on control & command have to be applied in a balanced manner, with the consideration of the circumstances under which the penalty generates positive effects and the circumstances in which its effects are harmful. This strategy recognizes that legal sanctions are not sufficient to enforce compliance and focus should be on education, persuasion and dialogue as strategies to achieve compliance. In this context, we have to review the legal system’s limited ability to establish penalties so that one can obtain rehabilitation and prevent relapse.

If tax authorities trust the willingness of taxpayers to meet their obligations under the law and accept the complexity of the legislation, this thing can lead to tax errors in both the advantage and the disadvantage of taxpayers, tax inspectors may develop the role of tax advisers with the main aim to assist in the correct implementation and monitoring of taxpayers. Among taxpayers, this approach may result in perceptions of empathy and fair treatment that can be mutual by fair behaviour and respect.

No doubt, unless a majority of taxpayers are willing to fairly pay their taxes, there are taxpayers who do not cooperate, who must be aware that the tax authorities are ready to intervene if the law is violated repeatedly.

A potential strategy for increasing tax compliance can be the differentiated approach to behavioural typologies of taxpayers, accompanied by specific actions from the tax authority having the role of preserving and strengthening voluntary behaviour, of supporting and counselling taxpayers who want to comply, but have difficulties in understanding the law, and correction for taxpayers who do not want to obey tax laws.

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