

THE SOCIAL JUDGEMENT OF THE TAX AVOIDING BEHAVIOUR

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ABSTRACT

Social judgment of tax supervision examinations is twofold. Many citizens agree with the aim of the examinations and with the punishment of those intentionally finking out on the obligation of paying tax. Yet many also question the grounds of the arrangements because of the apparent superfluity of many processes and because of the intimidation practiced generally on taxpayers. My essay places the dilemmas of tax avoidance in a wider psychological-economic perspective from the taxpayers' point-of-view. By practicing tax evasion, some people involved in the economy acquire an unfair, undeserved competitive edge, resulting in a significant welfare deficit in the society their taxes should be supporting. The first step in eliminating tax evasion is identifying the methods of tax evasion. This should be followed by risk analysis and tax control and finally the application of appropriate punitive measures. In individual states, different law regulations are applied against tax evasion. Whatever methods are used, control of bill-distribution and registration are the primary tasks. In sum, I can say that the reform of the tax system will only be successful if it considers the expectations and demands of the people while taking account of their desire for a functional, just tax system and their desire for a simple, unthreatening one. A tax system will be really successful only if it increases economic efficiency by decreasing administrative loads, taxation, and tax evasion.

Keywords: hidden economy, tax avoidance, tax evasion

INTRODUCTION

The social judgement of the tax supervision examinations is dual. A part of the citizens agrees with the aim of the examinations, with the impeachment of the layer finking out of the obligation of paying tax intentionally, in terms of the social justice. Another layer queries the grounds of the arrangements because of the superflux of the processes and because of the intimidation of the whole range of the taxpayers.

The leading idea of my work is the next sentence: „Everyone, as much as possible, should contribute to the charges of the homeland, according to a right rate.” Széchenyi István's sentence wins a new meaning in the slump, because under such circumstances, there is a greater need than ever before for paying tax, collecting tax incomes. By the tax evasion, some people involved in the economy acquire an unfair, causeless competitive edge, resulting a significant welfare deficit in the society in the taxpayers' group.

MATERIALS AND METHODS

During my sociologic survey, I charted the opinion of the active people of the economy about the effectiveness of the tax control and the judgement of the tax

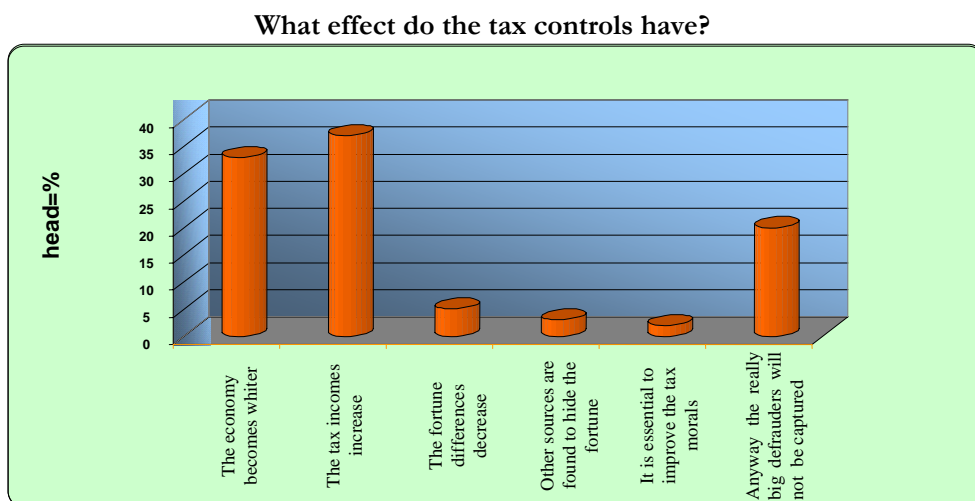
evasion. I performed the primary surveying in November and December 2010. I sent the questionnaire in an electronical way to my former schoolmates and to entrepreneurs working mainly in county Vas and in Szombathely. In early November, 100 questionnaires were sent. Until 22 November, the deadline of sending them back, 74 filled questionnaires were sent back. To increase the number of elements, I sent 40 further questionnaires to my acquaintances. From them, 22 questionnaires were sent back until the middle of December. I completed the number 100 with my colleagues too, so, the total number of the questionnaires to work out was 100. Everyone who filled in the questionnaire had at least a secondary school qualification, 64 people had a college or university degree, 20 people had a grammar school final exam certificate, 16 people had a secondary technical school or a vocational school final exam certificate. 54 percent of them were men, 46 percent were women. Considering the distribution according to age, 37 percent of them were between 20 and 30 years old, 43 percent of them were between 30 and 40 years old, 16 percent of them were between 40 and 50 years old and 4 percent were older than 60 years.

In the sample, the people with higher school qualification and the younger people were overrepresented. The sample was not random and of course it can not be regarded as representative, either.

RESULTS AND DISCUSSION

According to the majority of the respondents, the tax control has a social usefulness (the economy becomes whiter, the tax incomes increase, the fortune differences decrease) (*Figure 1*).

Figure 1

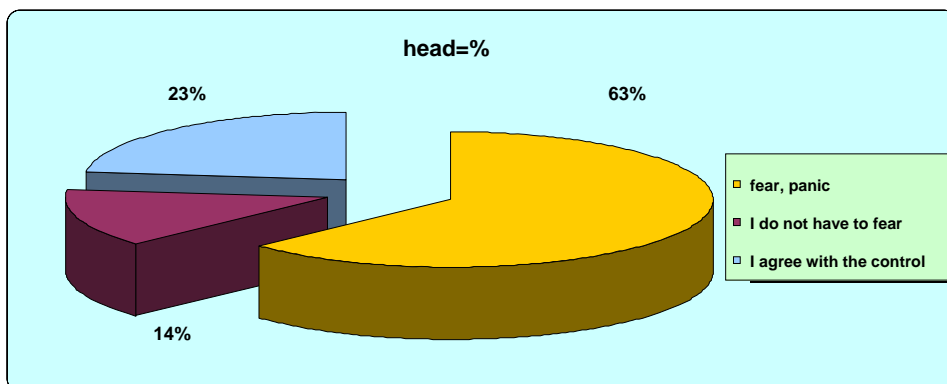


From the expected social effects, the increase of the tax incomes is expected by the most people (37%).

The evaluation of the questionnaire pointed out that the words „slump” and „tax control” arise negative emotional disorders in the majority of the people (Figure 2).

Figure 2

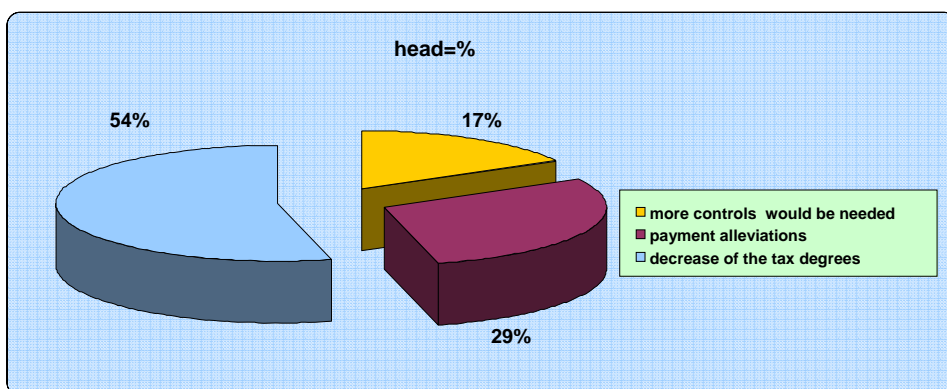
What feelings does it evoke in you if you listen to the word “tax control”?



It is perhaps not surprising that only 14% marked the category „I am slightly affected by the slump”, because the present recession affects nearly everyone. Even if it is hard, we have to accept the fact that we can not back ourselves out from the slump that concerns the whole world. Typical for a person being in a crisis situation is that his / her attention aims mainly at his / her problems, he / she suffers from distresses, fears.

Figure 3

What factors affect the repression of the tax evasion?



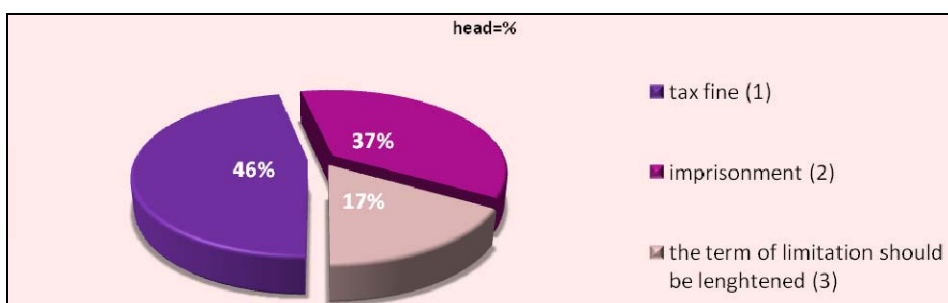
According to 54% of the respondents, the repression of the tax evasion can be correlated with the decrease of the tax degrees (Figure 3). Internationally, we can say

that in the slump the governments of the countries tend to improve the situation of the individuals and enterprises with the decrease of the tax degrees, with a faster tax rebate, with assuring payment alleviations (instalment, payment postponement, positive judgement of the petitions in chastisement), so to efface the tax evasion behaviour in the grey zone. The unambiguous cogency of the justification of the punishment and the proportion of the degree of the punishment with the seriousness of the action decrease the negative emotional disorders created in the taxpayer.

According to 46 percent of the people the tax avoiding behaviour should be punished stricter than the present punishments are (Figure 4).

Figure 4

How should we punish the tax avoiding behaviour?

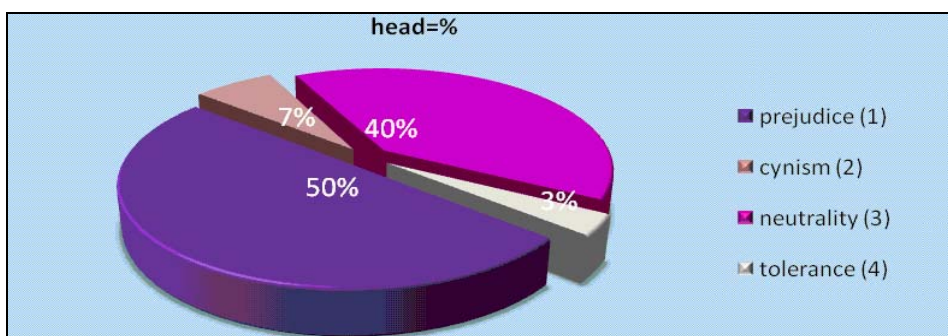


According to the act about the taxation the tax fine should be 50 percent of the tax deficit (in some special cases 75 percent). It is a special case if the deficit connects with the concealing of the income with the falsification of the warrants, journals, registers. Only 17 percent of the people think that the taxpayers should be controlled also after more than five years.

Half of the people are against the tax avoiding behaviour. 40 percent of the people are neutral and only 3 percent of the people are tolerant (Figure 5).

Figure 5

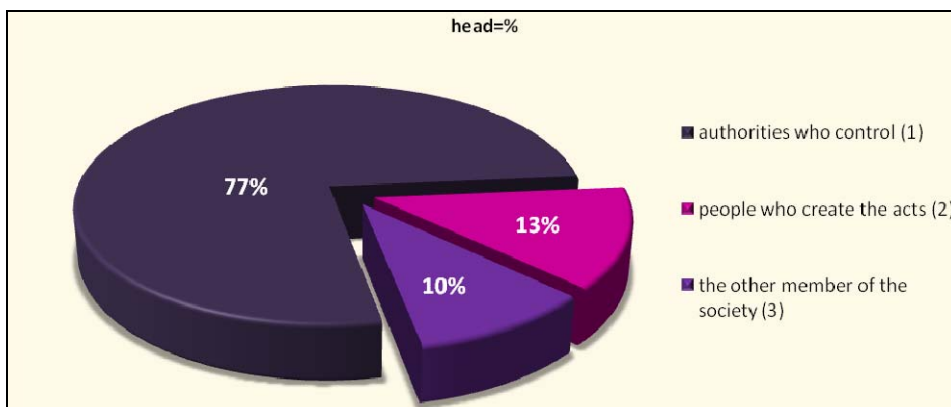
What do you think about people with a tax avoiding behaviour?



77 percent of the people think that the tax authority has the biggest role in the rolling back the tax evasion (Figure 6).

Figure 6

Who has bigger role in the rolling back the tax evasion?



Among the control tasks of the Hungarian National Tax and Duty Office in 2011 it is a primary tasks to perform successfully against tax evasion, so that the taxpayers who tend the think out of paying tax.

CONCLUSION

The tax control, as I mentioned in the introduction, creates numerous debates in the society and it constantly keeps the activity of the tax office in the centre of interest. Despite this, I chose this topic because the present constant interest around it, with its indirect psychological influences, has a positive effect for the inclination of paying tax. With my survey by questionnaires, I tended to point out what emotional-psychological effects the controls have for the thinking of the taxpayers. The first step of the front against the tax evasion is the identification of the method of the tax evasion during the risk analysis and the tax control, then the application of the appropriate authority measure. In the individual member states, different law regulations are applied in the front against the tax evasion. In the past years, the constantly modernized law environment has already assured numerous means for the tax authority to the more effective exploration of the illegal activities, the tax evasions. In Hungary, the front against the black economy takes place in line with several aligned scopes, because beside the traditional tax controls, the so-called operative controls, that mean mainly the controls in markets and in public places, are regarded as effective means in this respect. Within this, the control of the giving of bills and the registrations is the primary task. In sum, I can say that the reform of the tax system will only be successful if it considers the expectations, demands of the people of the economy staying in both sides. A tax system will

become really successful, if it increases the economic efficiency, if it decreases the administrative loads accompanied with the taxation and the tax evasion. At the same time, it fits to the social justice criteria defined by the government, too.