

Unpacking 'Tax Morale': Distinguishing Between Conditional and Unconditional Views of Tax Compliance

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Summary of Working Paper 147

The concept of 'tax morale' seeks to capture an individual's willingness (or unwillingness) to pay taxes. The study of tax morale in lower-income countries is significant for understanding "quasi-voluntary" tax compliance, popular support for tax reform programs, and the broader character of social contracts.

While interest in tax morale research has surged over the past decade, the use of the concept in research has often been relatively broad and imprecise. This risks a lack of comparability across studies. More importantly, insufficiently nuanced research risks telling an incomplete or misleading story. As part of a broader effort for greater conceptual precision, this paper highlights the importance of distinguishing between conditional and unconditional understandings of tax morale.

Limits of existing studies

The study of tax morale currently faces three key types of limitations: conceptual limits, challenges in measurement, and limits of empirical evidence and estimation. Conceptually, tax morale incorporates a variety of distinct taxpayer motivations (e.g., an ethical commitment to government rules, an expectation of service delivery, altruism). Current studies do not sufficiently distinguish between these motivations, while survey questions used to measure tax morale are surprisingly variable across studies and vulnerable to social desirability bias. Finally, empirically, the broader relationship between tax morale and tax compliance remains contested, as most studies lack access to actual compliance data.

Conditional and unconditional conceptions of tax morale

This paper argues for a more systematic distinction between conditional and unconditional understandings of tax morale. Unconditional tax morale understands that taxpayers have a general responsibility to pay taxes, and that generally governments have a right to exact them. Conditional understandings of tax morale seek to capture the extent to which a taxpayer believes that the need to

pay hinges on what they receive in return. For example, a conditional taxpayer believes that 'individuals should pay their taxes *only as long* as certain conditions are met,' or, alternatively, that 'it is justifiable for taxpayers to not pay their taxes when certain conditions are not met'. Conditional understandings of tax morale reflect a more contractual view of taxation and the broader relationship between citizens and governments. Taxpayers may, in turn, differ on what factors their compliance is conditional *upon*.

If we separate tax morale into conditional and unconditional dimensions we can imagine four broad types of taxpayers:

1. **Committed Taxpayers:** highly supportive of tax compliance in general, whose support is relatively unconditional.
2. **Contractual Taxpayers:** highly supportive of tax compliance in general, but whose support is highly conditional.
3. **Sceptical Taxpayers:** not very supportive of tax compliance in general, but whose level of support is conditioned on government performance.
4. **Resistant Taxpayers:** not very supportive of tax compliance in general, largely irrespective of government performance.

Each of these types of taxpayer have very different views of tax compliance and are likely to require distinct strategies to encourage compliance and support for reform. More broadly, these different combinations of unconditional and conditional attitudes toward tax compliance also reflect distinct relationships between citizens and governments.

Measuring tax morale

In order to better distinguish between these different understandings of tax morale one strategy is for surveys to include four distinct types of questions which, in combination, can paint a more nuanced picture. Examples are provided in the full paper.

- a) **Neutral questions:** Seeks to measure both conditional and unconditional dimensions of tax morale.
- b) **Unconditional questions:** Seeks a wording that places greater emphasis on the idea that governments *always* have the right to tax, or that taxpayers should pay no matter what.
- c) **Conditional questions:** Seeks to gauge the extent to which taxpayers believe that taxpayers could be justified in not paying if certain *conditions* are not met.
- d) **Comparative questions:** Asks taxpayers to explicitly signal greater agreement with more unconditional or conditional views of tax compliance behaviour.

Empirical insights

To illustrate the value of this distinction, the paper then presents two empirical illustrations. First, it draws on data from seven different surveys, each including multiple measures of tax morale, and demonstrates that:

- There is a relatively weak overall level of correlation across measures, despite superficial similarity
- There is relatively strong correlation among more unconditional measures, and among more conditional measures, but generally very weak correlation across more conditional and unconditional measures.

Second, it draws on data from a panel survey in Sierra Leone that tracks changes in tax morale following a large property tax reform program (Prichard et al. forthcoming). It demonstrates that using a “neutral measure” of tax morale appears to show little change in attitudes before and after reform. However, distinguishing between conditional and unconditional understandings reveals a significant shift toward more conditional understandings, as taxpayers become more “contractual” in their attitudes toward tax compliance – an important insight not only into tax compliance, but into the broader evolution of the social contract.

Key messages moving forward

A more multi-dimensional approach to the study of tax morale is critical to developing a richer understanding of tax compliance and state-citizen relations. While only a first step, this paper suggests that it is particularly important that future research distinguish more between conditional and unconditional understandings of tax morale.

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Further reading

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Credits

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