

## **The Correlation between the Social Genders and Reaction to Tax**

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### **Toplumsal Cinsiyet ile Vergiye Karşı Tepki Arasındaki İliŐki**

#### **Abstract**

In this study, the discovery of a research conducted with 1.000 subjects shall be reviewed in terms of gender difference. The research subject that constitutes the resource of the study is the investigation of taxpayers' reactions towards tax. In this respect, initially, the aim and scope of the research shall be identified; later on the demographic info of the research shall be presented and the findings shall be displayed. In the last chapter of the research, the correlation between social gender and reaction to tax shall be reviewed.

**Key Words** : Tax, Tax Evasion, Tax Sociology, Tax Consciousness, Gender.

**JEL Classification Codes** : H20, H26, H29.

#### **Özet**

Bu alıřmada İstanbul'da 1.000 denekle yürütölmüş bir araştırmanın bulguları cinsiyet farklılığı açısından incelenecektir. alıřmanın kaynağını teşkil eden araştırmanın konusu mükelleflerin vergiye karşı tepkilerinin incelenmesidir. Bu bağlamda alıřmada öncelikle, araştırmanın amacı ve kapsamı tanımlanacak; sonrasında arařtırmaya ait demografik bilgiler sunularak, bulgulara yer verilecektir. alıřmanın son bölümünde ise cinsiyet ile vergiye karşı tepki arasındaki ilişki incelenecektir.

**Anahtar Sözcükler** : Vergi, Vergi Kaçırma, Vergi Sosyolojisi, Vergi Bilinci, Cinsiyet.

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### **Beyan**

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## **1. Object and Scope of This Agreement**

The main goal of this research is to reveal the reactions of the taxpayers towards tax and devoted to determination of taxpayer behaviors in line with tax evasion and tax avoidance. The cosmos of the research is composed of income taxpayers and corporate taxpayers of about 30 millions, who pay such taxes relative to their ability to pay and the scope covers Istanbul citizens. Number of the income taxpayers has been tackled on individual and corporate basis.

As the cosmos of the research is quite huge, a sampling plan of least possible standard error has been set up. In Istanbul, the income taxpayers have been divided into two fractions as, those subject to “declaration” and those subject to “withholding order”. When composing the sampling of the research, the tax revenues have been taken into account in general. Quotas of age, education, occupation, income level have been applied for the individual taxpayers subject to income tax. When determining such quotas, the provincial and territorial averages have been taken into account.

The research was implemented during June 2006-July 2006 period by 1000 subjects random chosen from various districts of Istanbul. In this article, only the part of said research concerning the individuals will be handled; following the submittal of general discoveries regarding the individuals, the effects of gender distinction on reactions to tax shall be reviewed.

## **2. Demographic Information about the Research**

The gender distribution of research participants appears as 67% men, 33% women. When one checks the demographic structure of the research in terms of age, it has been observed that, 23% of the subjects is between 18 to 25, 31% is 26 to 32, 23% is 33 to 39, 18% is 40 to 50 and 5% is 51 and over. No questionnaire was held with people under 18, with the consideration that they are not taxpayers.

53% of the subjects are married, 44% are single and 3% are divorced. Among the subjects, graduates of primary and secondary schools have 9% share each, high school graduates have 36% and university graduates have 46% share.

The occupational distribution of the participant subjects display a sharing of 11% white collars, 9% finance-market specialists, 22% sales-customers reps, 2% lawyers, 8% secretaries assistants, 9% healthcarers, 8% educationists and 32% blue collars.

In respect to the distribution based on number of employed family members, it has been observed that, 39% have only 1 working person in the family, 47% have 2, 11% have 3 and 3% have 4 or more people working.

When the demographic structure of the research is assessed by the monthly income level, we see that 69% of the subjects have an income between 501 to 1500 YTL, where aggregate family income centers between 1000 and 2500 YTL.

### **3. Research Discoveries**

In this part, discoveries of the research conducted with individuals shall be abstracted. The research is large scale, covering the companies also, however, as matter of our subject, only the results concerning individuals shall be placed.

The subjects' points of view to the state within the frame of economic relations have been reviewed. According to this review, the state is defined as an authority of 59% tax, 28% control, 9% penalty and 4% incentives/subventions for the individuals, pursuant to the economic relations. In our review, the individuals' perspectives to tax have been examined on individual basis. The meaning of tax is a "civic duty" for 31,3% of the individuals, a "compulsory and legal payment" for 26,8% of them, a "return for public service" for 23%, only a "factor of cost" for 2,6%, for 4,1% an "obstacle before the entrepreneurship" and finally, an "extortion" for 10,8% of them.

As can be clearly seen, a negligible portion of the individuals are inclined to approach to the tax as negative, where the significant rest evaluates it coherent to the authentic definition. When the perspectives of these subjects towards those taxpayers, who pay their taxes implicitly and straight are revealed, we see that such taxpayers are identified as "a good citizen - a decent/honest person - a gullible tax payer - a coward taxpayer - a person capable of succeeding a lot in trading" respectively.

In the research, the income taxpayers have been asked their preference whether to be subject to withholding or declaration and results show that, two-third of those subject to withholding prefer declaration, where one-third of those subject to declaration prefer withholding. The wish of majority of the individuals subject to withholding to declaration may be explained by the thought of benefiting from the allowance for the real expenses and the preference of paying the tax, a while after the income, instead of obtaining the "net of tax" income.

The behaviors of taxpayers in case of an increment in the taxation rates have also been investigated in the research. The taxpayers, by creating income and substitution effects, develop various patterns of behaviors when confronting increment of tax rates. Some of them keep paying their taxes implicitly and on time, where some others reduce their savings or prefer not to work.

When the taxation rates are increased, 41% of the participating individuals prefer to suppress their expenses, 29.1% of them choose to pay their taxes precisely and on time, 12.5% on them refrain from working, 8.7% prefer to reduce the savings and again a 8.7% plan to work more or get an extra job to acquire the initial life standards. When the results are interpreted together, it can be perceived that, in the event of tax rates' increase, the substitution effect of tax shall appear minor to the income effect. The reason for this is that, under the current economic conditions of today, taxpayers consider reaching their former standards of living after such increment only by working more and more.

Through the research, the influence level of a lot of interbedded factors that affect the taxpayer behaviors to tax, have been questioned. The factors related to taxation system are one of such factors. When assessed in general, the basic reason of taxpayers' behaviors to taxation is the tax load burdened on such taxpayers and the determinant of such load is the taxation rate levels. Accordingly, as such rates increase, the attitude levels of the taxpayers in return, incline to vary in a negative manner.

The participant individuals are densely affected by the injustice of taxation system and high tax rates, which are the factors related to taxation system. Since the said subjects are dependents of the income tax withholding and their taxation obligations are realized by the tax executives; they deem the factors, such as complexity and high cost of the taxation system and the capture risk being rare, as less influential in reacting towards the tax.

Another factor influencing the taxpayers' reaction to tax is that, related to the tax administration. These individuals are naming the negative factors sourcing from the tax administration as -respectively- the physical insufficiency of the administration itself, jobbery of the staff, inadequacy of the technologic facilities of the administration and finally, poverty of the personnel in terms of quantity and quality. Another important consequence of the research is the revealing of financial crimes, that society reacts sharply. Tax evasion takes the first place among the financial crimes that attract the utmost reaction of the individuals.

On the other hand, 7% of the subjects perceive the tax evasion as normal, whereas 73% of the group describes it as theft. When the subjects are asked how they evaluate their colleagues involved in such evasion, half of them criticize such colleagues strongly, but there is also a 48%, who criticize but justify such evaders as well.

In the research, the subjects were asked to grant their comments about the intensity of tax evasion around them. 72% of the individuals consider the fact that, such tax evasion is quite extensive. On the other hand, those who confess that they would try anything to avoid paying tax, but refuse evasion, are represented by a rate of 12%.

It is highly probable that, the taxpayers who are well informed about the objective and importance of taxation would display a positive approach to taxes. However the continuation of this positive attitude is only possible if the economic factors are in harmony with the social structure, as well as the factors arising out of the tax system and tax administration. One consequence of the research is the road map oriented to improve tax consciousness. According to the individuals, on such road to raise tax consciousness, procurement of justice, elevation of educational and cultural levels and reduction of the tax rates play the most significant roles. Factors bearing relatively inferior effect on tax consciousness are, publishing of the entailment of taxes by state authority and derogation of taxation formalities. On the other hand, there are few subjects commenting negatively that tax consciousness is impossible to get.

#### **4. The Effect of Social Gender Difference on Reaction to Taxes**

In this chapter of the research, the correlation between genders and reaction to tax shall be reviewed. The findings to be analyzed in this respect are as follows:

- Connotations of the term “State”, within the frame of economic relations,
- Correlation between taxes and public expenses,
- Connotations of the term “Tax”,
- Evaluation of a taxpayer fully accomplishing his/her duties,
- Ratio of personal annual income to be payable as tax,
- Preference of being a taxpayer subject to withholding or declaration,
- Taxpayers’ behaviors towards an increment in the taxation rates,
- Connotations of “Tax Evasion”.

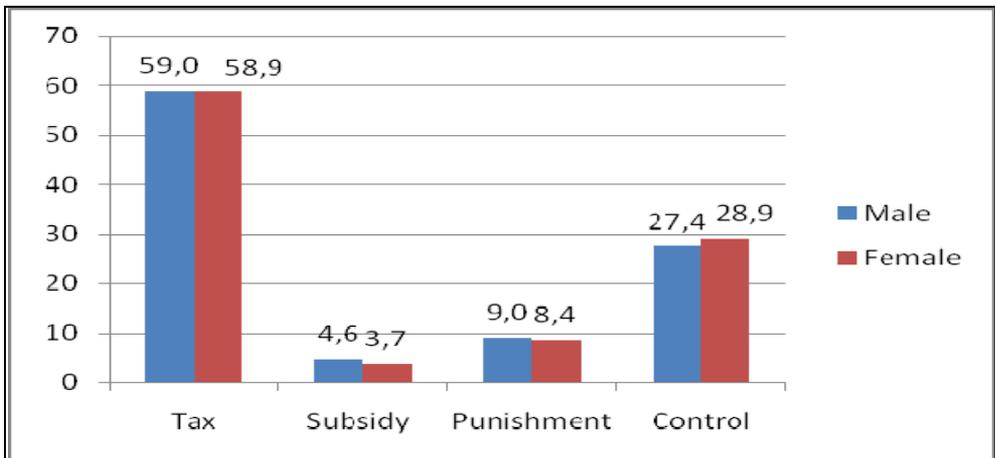
On the other hand, the tendencies demonstrated regarding various terms questioned to the subjects shall also be mentioned in this chapter.

The subjects were asked what the term “State” evokes, within the frame of economic relations; together with the options of tax, incentive, penalty and controlling. Within the frame of economic relations, “State” term evoked mostly the word of ‘tax’ both for men and women, where penalty and incentive terms were preferred by men with higher ratio than women. However, there were more women representatives who expressed the state with the term ‘control’.

The correlation between taxes and public expenses affect the reactions to taxes. The citizens, in the event the taxes they have paid get back to them as services, show less reaction to such taxes. Therefore, the distribution of public expenses of the state and the

preferences thereof become more of an issue. The subjects were then asked, whether education, health, defense, infrastructure, social security and culture-tourism expenses of the state were sufficient or not. According to men, the public expenses deemed to be highly minor are education, health, infrastructure, social security and culture-tourism expenses. The defense expenditures were identified as the field of highest consumptions. According to women, the low level public expenses made by the state are education, health, infrastructure, social security and culture-tourism expenses. Defense expenditures were also identified as high level consumption area by the women. However women, when compared with men, expressly stated with a higher ratio that, the public expenses of education, health and social security of the state are extremely low.

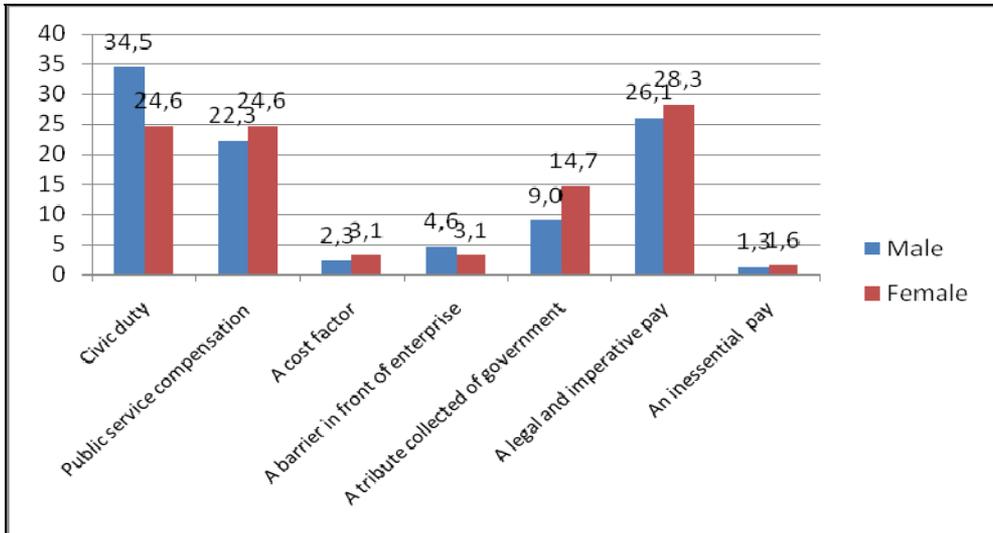
**Graph: 1**  
**Connotations of the Term “State”, Within the Frame of Economic Relations**



The connotations of the term “tax” for the subjects were questioned with following choices;

- Civic duty,
- A legal compulsory payment,
- An allowance for public services,
- An extortion collected by the state,
- An obstacle before the entrepreneurship,
- A factor of cost,
- A needless, bootless payment.

**Graph: 2**  
**Connotations of the term “Tax”**



For men, tax has a meaning of civic duty, a legal compulsory payment, an allowance for public services, an extortion collected by the state, an obstacle before the entrepreneurship, a factor of cost and a needless, bootless payment, respectively. For women, the sequence was as, a legal compulsory payment, an allowance for public services, civic duty, an extortion collected by the state, an obstacle before the entrepreneurship, a factor of cost and a needless, bootless payment. As can be seen, women identify the tax, more in accordance with the actual meaning, than men do.

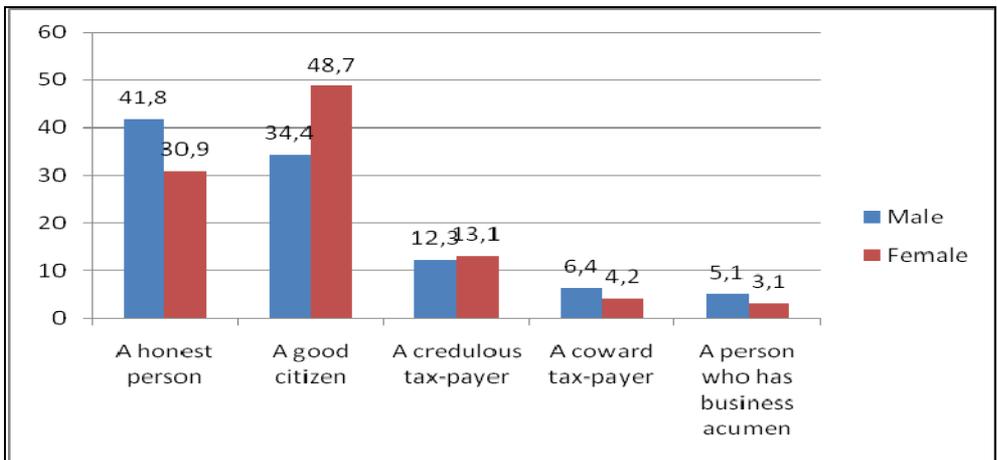
Evaluation of a taxpayer fully accomplishing his/her duties was questioned with following choices;

- A good citizen,
- A decent, honest person,
- A gullible tax payer,
- A coward tax payer,
- A person capable of succeeding a lot in trading” respectively.

Men qualify those, who pay their taxes accurately and straight, as a decent/honest person, a good citizen, a gullible tax payer, a coward taxpayer and a person capable of succeeding a lot in trading, respectively. Women, when portraying someone,

accurately and straight paying such taxes, they make a sequence as; a good citizen, a decent/honest person, a gullible tax payer, a coward taxpayer and a person capable of succeeding a lot in trading. It is attention-grabbing that, women qualify the people, paying their taxes accurately and straight as good citizens, more than men do.

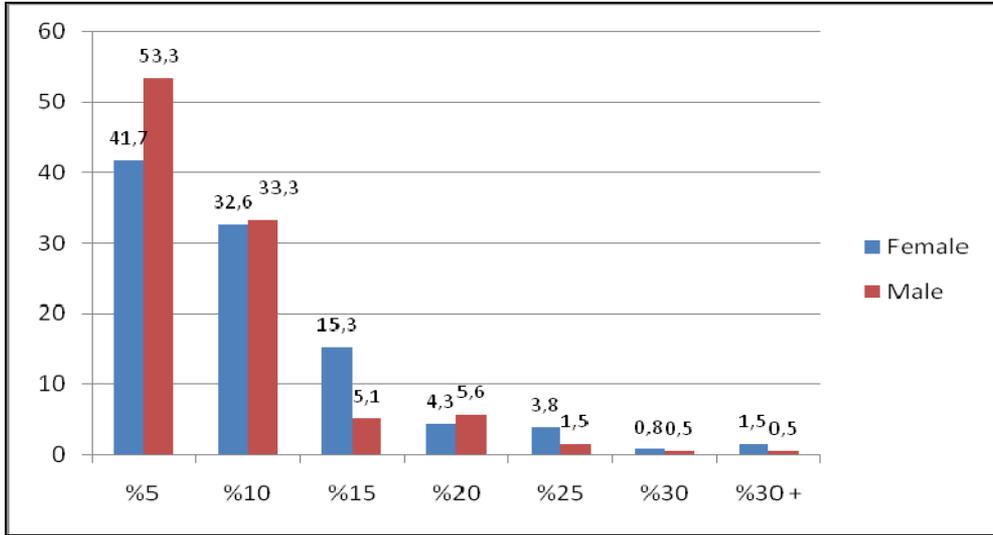
**Graph: 3**  
**Evaluation of a Taxpayer Fully Accomplishing His/Her Duties**



When the subjects were asked the ratio of their annual incomes that they would be able to pay as tax, answers were given in percentages. For men, those who stated to be willing to pay 10% and below of income, were 86,6% of the group. For women, this ratio is 74,3%. The portion who stated to be able to pay 15% or more of the incomes is 13,4% for men and 25,7% for women. As can be observed clearly, women have greater tendency in paying greater ratios of tax, compared to men.

The individuals participating in the research were asked whether they would prefer the income taxpayer subject to withholding or the taxpayer who fills declaration and duly declares his/her income, if they have an opportunity to choose. According to the answers received, the men preferred the choice of being the income taxpayer who fills declaration and duly declares his income, with a higher ratio than women. When opportunities of tax avoidance are considered, it seems more advantageous that the choice between withholding and declaration is in favor of declaration. At this point, the high ratio of the men's preference for declaration can be explained with the men's tendency towards tax avoidance.

**Graph: 4**  
**Ratio of Personal Annual Income to Be Payable As Tax**

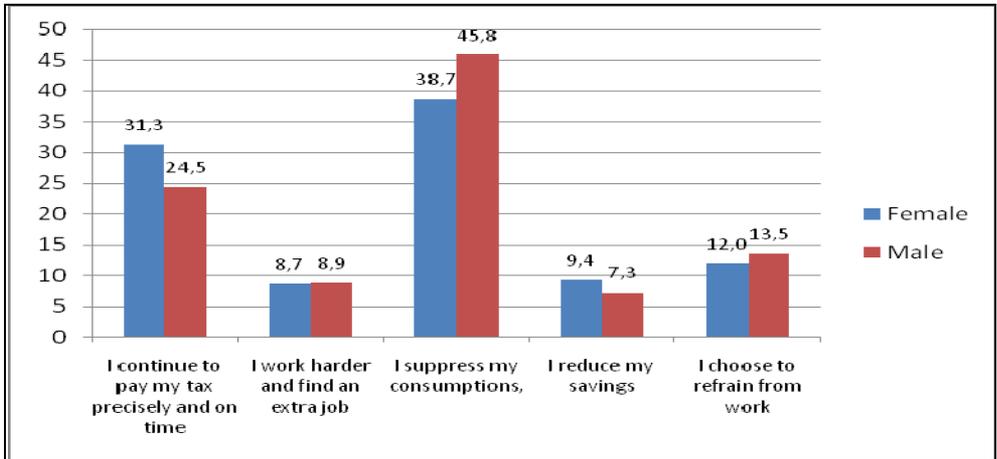


The behavior patterns that the subjects will show towards an increment in the taxation rates were questioned with the following choices;

- I suppress my consumptions,
- I continue to pay my tax precisely and on time,
- I choose to refrain from work,
- I work harder and find an extra job,
- I reduce my savings.

The men answered this question, according to the order of priority, that they would suppress their consumptions, they would continue to pay their taxes precisely and on time, they would choose to refrain from working, they would work harder and get an extra job, and they would reduce the savings. While the first three orders were the same for women, those who would reduce their savings were represented with a higher ratio than those who would work harder and get an extra job. On the other hand, the men who state they would suppress their consumptions had a larger ratio than women, while the women who express they would continue to pay their taxes precisely and on time had a larger ratio than men.

**Graph: 5**  
**Taxpayer's Behaviours towards an Increment in the Taxation Rates**



The connotations of tax evasion for the subjects were questioned with the following choices;

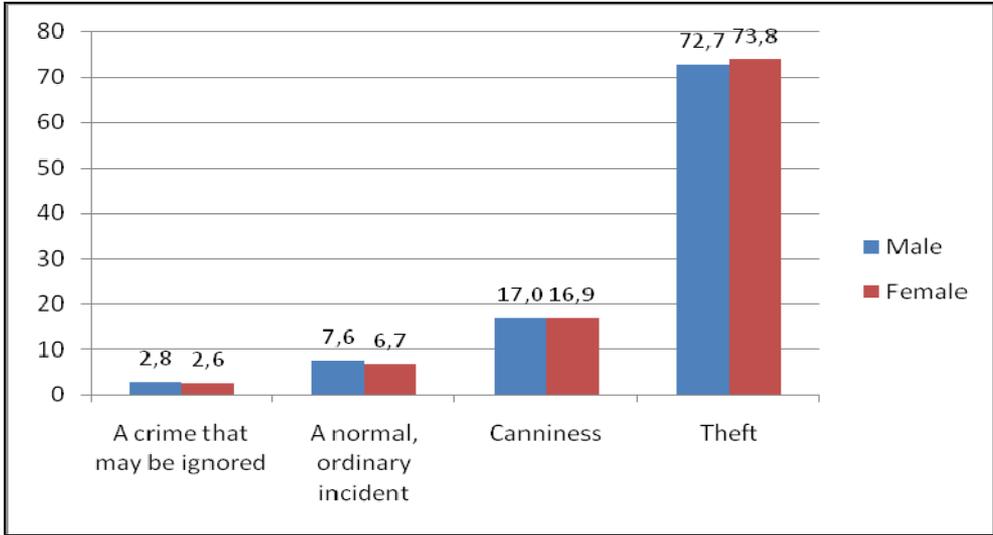
- Theft,
- Canniness,
- A normal, ordinary incident,
- A crime that may be ignored.

Accordingly, those who define tax evasion as “theft” were represented with high ratios both in men and women. However, women had a higher ratio than men, although the difference was small. However, men preferred to define tax evasion as canniness, a normal incident and a crime that may be ignored with a higher ratio than women.

After these explanations, the subjects’ approaches and behaviors towards various expressions regarding taxes and tax consciousness will be presented.

It has been understood that the opinion “Everybody is evading taxes, so why shouldn’t I?” is common among the subjects, however, the men supporting this opinion have a higher ratio than women, although the difference was small. The men who express that the gaps in laws provide an opportunity for tax evasion have a higher ratio than women. The women who criticize their tax-evading colleagues strongly have a higher ratio than men, while the ratio of men who criticize but justify the same is higher.

**Graph: 6**  
**Connotations of “Tax Evasion”**



Those who say there is no ethical difference between evading taxes and avoiding paying taxes are represented with a higher ratio in women, the ratio of those who express that there is a difference between the two cases and show more tolerance for avoiding paying taxes is higher in men.

The men who are not involved in tax evasion but would try anything to avoid paying tax have a higher ratio than women, which is supportive of this result. The men who say they would prefer an untaxed field in their extra job enterprise have been represented with a higher ratio than women. The ratio of men, who would look for ways of paying less tax if they had a business of their own, is higher than the ratio of women.

On the other hand, the use of value added tax as a means of bargaining in commerce by men is more often confronted than women.

**Table: 1**  
**Tax Evasion and Gender**

	Male			Female		
	Yes	No	Partly	Yes	No	Partly
Everybody is evading taxes, so why shouldn't I?	56,3	8,9	34,5	55,9	7,7	36,4
The gaps in laws provide an opportunity for tax evasion.	56,1	26,8	17,1	50,8	34,6	14,7
There is no ethical difference between evading taxes and avoiding paying taxes.	17,0	65,9	17,0	20,1	64,4	15,5
I am not involved in tax evasion but I would try anything to avoid paying tax.	14,3	79,8	5,9	7,8	84,9	7,3
I would look for ways of paying less tax if I had a business of my own.	55,1	28,4	16,5	52,6	27,8	19,6
I would prefer an untaxed field in my extra job enterprise.	75,9	11,9	11,9	66,5	16,0	17,5
I use VAT as a means of bargaining in commerce.	79,7	9,7	10,5	77,7	11,7	10,6
I strongly criticize a colleague involved in tax evasion.	49,6	2,1	48,4	51,8	2,0	46,2

## 5. Conclusion

In this study, taxpayer's behaviors in terms of reactions to tax have been reviewed within the framework of social gender difference. Following the submittal of the general discoveries of the field research constituting the resource of the study, the effects of gender distinction on reactions to tax has been reviewed.

It has been observed that the women define tax in more realistic terms than men, that they show more reaction to tax evasion, tax avoidance and to those who do not pay tax. On the other hand, the women have a tendency to pay more taxes than men. Those who pay their tax precisely and on time despite the increment in taxation rates are represented in a higher ratio in women. The women less often resort to means of avoiding paying tax than men; they do not see an ethical difference between evading taxes and avoiding paying taxes.

All these results show that women participating more often and more actively in business life will contribute both to increase tax consciousness in society and to raise the reaction towards tax evasion and tax avoidance. That there is a direct proportion between the intensity of representation of women in business life and tendency to pay taxes is another result of the research.

It has been theoretically and empirically brought forward in several researches in literature that the increase of the women in business life will positively contribute to the reduction of corruption. Therefore the role of women should be considered important in reducing incidents of tax evasion and tax avoidance, which are closely related to corruption.

The fundamental requirement of success in taxation is to instill taxpaying consciousness in taxpayers, and also in potential taxpayers, and to accelerate the studies to increase tax consciousness, if it is too late in respect thereof. The intensity of women in business life is not, of course, the only factor in creating this consciousness. However, the possible positive influences of women participating in business life and administration should not be ignored.