

PLAYING THE FISCAL LOTTERY GAME

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ABSTRACT

The diminishing pressures entailed by the markets spur companies to be more aggressive in seeking a lower taxation and to sacrifice profits (to report less) in an attempt to lower the tax liabilities. But the recurring changes of the tax rules make the working, investment, saving, spending, receiving compensation and evasion economic decisions to be risky. Tax reporting decisions are not simple games. Tax compliance is a social construction. The multifaceted nature of man is motivated by a utility or a satisfaction desire and also draws on non-pecuniary costs. The problem we are facing today is that the state intervenes in the economic system with the sole purpose to accomplish the desired results in the form of financial resources, so, in this context fiscal instruments play a key role. Taxes affect the incomes which remain at the disposable of economic agents and population and model the people's behavior. Designing effective policies for reducing evasion decision requires understanding the behavioral aspects of compliance.

Therefore, this article turns the spotlight on a mixture of behavioral responses which taxpayers are able to achieve in order to face taxes. Hence, some people develop "virtuous" competencies and "vicious" ones which may result in cheating behavior.

KEYWORDS: *equity, tax compliance, tax evasion, tax moral.*

JEL CLASSIFICATION: *H26, H21*

1. INTRODUCTION

Decisions like those of location, organization form, activity level and taxable income are sensitive to tax rates. The variety of countries' tax systems has led to proliferation of international mobility, which takes the form of foreign direct investment, international trade, individuals immigration, international licensing of intangible capital, activity's setting in tax havens.

Thus, on the international level, there is pressure to reduce burdens and so the revenues collected but also the prerequisite costs involved with the social welfare and public services, without any pressure to weigh the balance down. Generations are selfish and do not think about the impact of their actions and their consequences on future generations, but only think of their own welfare.

From the multidimensional construction of the fiscal system it could be noticed the predisposition for direct taxes detrimental to indirect taxes, because the former can be adjusted according to the individual taxpayer characteristics as opposed to indirect taxes which are applied to all transactions regardless of the seller or buyer circumstances are, and can only be proportional.

Tax systems are complex and non-transparent, opaque and lead to taxpayer underestimation of taxation. Perception influences the tax compliance behavior.

Following the gloomy forecasts on demographic situation, in the future, retirees will outnumber workers. In this volatile ecosystem, the social insurance schemes offered by the state are no longer a future safe investment and this gives rise to an aggressive tax planning, a popular choice especially among middle-income earners.

Tax evasion is an ancient and hidden activity. In the third century, the wealthy Romans buried the gold and the jewelry that they owned to avoid paying tax on wealth (Webber and Wildavsky, 1986).

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The data provided for this phenomenon is vague and more estimated (due to findings made by the control authorities, audit programs).

From a theoretical perspective, the study's results provide a "piece of the puzzle" in light of capturing the issues that determine the taxpayer preferences.

This paper seeks to add to and complement prior research by focusing primarily on measures designed to capture the effective policies for reducing evasion decision which require understanding the behavioral aspects of compliance biased by the social relations, customs, beliefs, institutions.

Furthermore, the aim of this research is to offer a description of the current perceptions used during the tax decision making process by taxpayers and address the basis for improved decision support tools by referring to some deep-seated obstacles such as reclining upon others actions- herding behavior- which currently hampering the implementation of tax morale and fairness principles within the people.

This article passes through an extensive literature search and it unveils a stringent and detailed presentation of the conclusions revealed by the analysis of the current state aversion of being taxed.

The expected outcome of this research is to introduce a novel analysis approach to support, guide and assist taxpayers in the optimal decision making to assess and deal with the fluctuation of the tax system in this competitive global ecosystem and potential risks implied by each tax behavior.

This theoretical study should be followed by a thorough comparison between the monetary benefits and the costs of evading taxes while incorporate the social benefits and disadvantages that the subjects may derive from it.

2. THE DEGREE OF COMPLIANCE AND THE QUALITY OF GOVERNANCE

The Government has a crucial role in increasing individual compliance to tax rules by increasing the satisfaction of taxpayers in terms of government policies and tax administration. (Elffers et al., 1987; Torgler, 2007) Satisfaction could be rendered by the correlation of quantity and quality of goods received from Government to taxes' size required to be paid. (Torgler, 2005). Citizens' beliefs of the existence of a gap between the amount of taxes imposed and the amount of public goods received (Lewis, 1979), in other words an unfair tax system treatment (Falkinger, 1995) will facilitate the impairment of the exchange relationship between taxpayers and state (represented in this case by the tax authorities) so that tax evasion will be considered to be justified. (Barth et al., 2006; Feld and Frey, 2007) The tax rate should be considered the correct price for the public goods received. (Bordignon, 1993)

Perceived fiscal equity or unfair taxation (Cowell, 1992; Wenzel, 2005; Barth et al., 2006; Fortin et al., 2007) and trust in public officials (Feld and Frey, 2002a; Torgler, 2003a) shape the desire and commitment to pay taxes (Smith, 1992), which is labeled as tax morale. Unpopular policies and perceived inequity cause resentment, erode tax moral and jeopardize tax system effectiveness (Braithwaite and Ahmed, 2005), as it is well known that when the taxpayers' confidence in government decreases, it is hard to regain it.

3. TAXPAYER BEHAVIOR

Tax rule violation is associated with a psychological cost of guilt, negative consciousness (if you're not caught) or reputation cost (if you're caught) (Falkinger, 1995) and affects the utility tax dodgers and tax evasion size (Benjamin and Maita, 1985 Gordon, 1989).

Evasion is favored by the amount of fines and daunted by the risk of a public exposure of fraud, because the last one alters the reputation (even if it is considered that a lost reputation is assimilated with a higher evasion in the next period) and this imply shame on their cheating behavior, so it has a moral implication. According to a study, if the deception is displayed publicly, the probability to cheat is diminished by 8.20% - the proportion of evaded income is reduced by 3.88 points - in

comparison to the risk of an audit which decreases the proportion of evaded income by 2.92 points. (Coricelli et al., 2010)

Since ancient times the kingdom of Hammurabi of Babylon appealed to "consciousness of guilt" and "public shame" - "Why do you not send the 30 lambs to Babylon as tax? Are you not ashamed of such behavior" (Webber and Wildavsky, 1986, p.58) – and by inoculating these concepts in mind, the compliance is increased (Erard and Feinstein, 1994).

A taxpayer behavior can take many forms from being honest, to susceptible to evasion and escapist. (Davis et al., 2003) Depending on the circumstances, taxpayers can change and adopt a new form of behavior, so, there is a multidirectional flow from honesty to evasion susceptibility and evasion and vice versa.

Braithwaite et al. (2001) showed that a taxpayer may take 5 positions in the context of taxation: commitment (a moral obligation to pay taxes, ultimately everyone is advantaged), capitulation (not happy with the tax system, but accept it as part of life and admit that the taxes have to be paid), resistance (the tax system is seen as antagonist, people have doubts about it, it is the wish that the individual need to be vigilant, to defend his rights and have to diminish the power of the tax authorities), disengagement (do not care about the rules, consider that the system cannot do anything if you do not pay taxes) and game-playing (love the game of finding the gray areas of the tax system and the challenge to minimize tax liabilities by exploiting the loopholes).

From a psychological viewpoint an individual has decision-making autonomy, he can choose for himself without being influenced by social pressures. Thus, he can decide how much risk he wants to take in his daily activities by interpreting the law. Also, by his nature, man, as a socio-economic actor, needs benchmarks in order to assess his actions and reputation in comparison to the others with the purpose to decide which action is acceptable, reasonable, expected within a given social context. Even social networks and associations help shape perceptions, attitudes, norms. Many studies have shown that people can be grouped in clusters, each composed of people that have some common tax preferences, mostly presumed by the self-interest.

The individual could learn from his experience or could follow the standard pattern of reporting behavior in his reference group (social conformity effect) but also could learn from his peers to underreport income, to lower the risk of being caught or to reduce penalties associated with tax audits (social learning effect). (Fortin et al., 2007)

So the others' behavior affects taxpayer compliance decision. „If taxpayers begin to believe that others are cheating, the temptations to shave their own tax burdens may become irresistible”. (Weisman, 2001, A1). An advantage of the studies about evasion perception is that respondents are more reliable when they are not required to reveal their own behavior. But taxpayers perceive wrongly the others' acceptance of tax evasion and tax ethics - self-other discrepancy -, as being greater than their own (Wenzel, 2005).

So, the perception of others as tax dodgers increases the likelihood of an individual to circumvent the tax system (Sheffrin and Triest, 1992), especially if relatives or a taxpayer of perceived high moral character are suspected as players of tax evasion (Kaplan and Reckers, 1985).

An influence of the others' behavior is even more striking through the so-called yardstick competition which is characterized by the fact that voters compare changes in their tax system with those of neighboring states and are interested about how could be imposed in those countries, although countries differ in providing public goods and thus the taxes levied. However, for countries that impose the same tax regime, non-compliance differences lies in the dissimilarities between social norms. (Davis et al., 2003)

People regularly updates their beliefs on social norms as behavior evolves over time in response to others' behaviors which also bias moral standards.

4. TAX FAIRNESS AND MORAL

The attitudes are more important than opportunities in molding taxpayer behavior (Wallschutzky, 1984). Because of the nature of moral being, people find pleasure when act ethically and suffer for unethical acts (Gintis, 2008, p.1), because they treat moral values as ends in themselves.

When a behavior is not considered fair or are notified deviations from norms, people tend to punish those that are responsible (the desire to do justice to yourself). They reject the acts of injustice in order to achieve a consensus on the rules, so that society imposes penalties on individuals who are caught violating the social norms. But sanctions creates anger and resentment for the authority by which they were sanctioned, and those who feel no shame for what they have done and are not status-oriented, do not accept their responsibility and blame the others for what have happened to them.

Fairness and honesty are considered a standard for appraising the differences in the tax treatment of different people (Murphy, Nagel, 2002).

At present there is no uniformity of taxation for all occupations although social welfare function should not discriminate between the taxpayers of the same category. Thus, some occupations offer an attractive fiscal scenario than others because the tax system favors such categories of individuals (they see the opportunity to organize themselves in such a form than as employees), even though lead to inefficiencies. Professions such as painter, tiler, tailor, etc. whose income is not billed (they receive cash in hand payments) are difficult to be detected by the authorities. These "home freelancer specialists" alter the labor market competition contributing to a lower market price for legal and honest employees which are operating in such a field.

Moreover, the reciprocal services provided between friends, relatives (give something in return of something else) –the so called barter- are not considered bearing income and so taxes. Exchanges occurred between people who have a social relationship rather than professional, are regarded as not being taxable (Heyman and Ariely, 2004) – no cash, no tax. So, social relationships lead to a distortion of the essence of transaction in order not to pay taxes.

Tax morale is defined as the intrinsic motivation to pay taxes (Torgler, 2007, Feld and Frey, 2007) as a contributor to society, the action of paying taxes being considered as rewarding in itself. In the case of firms, business culture is linked to tax morale. Nevertheless, tax morale is a subject treated as a black box, since there are no studies about how is developed or how can we maintain it.

It is considered that the United States citizens have the highest tax morale across all countries, followed by those from Austria and Switzerland. Another comparison of the tax morale conducted in Germany and England determined that the former has a lower level of tax morale than the last one, as a fact of a system which made use of coercive tax enforcement techniques and a disrespectful behavior against people. (Strumpel, 1969). The English system even if creates niches for avoidance and evasion, spurs the tax morale.

But a recent study has shown a positive stronger correlation between happiness and tax moral, tax morale being on the list of happiness non-pecuniary determinants in addition to political participation, volunteering, marriage, relational goods, religiosity. (Lubian, 2011)

Equity theory postulates that individuals normally expect comparable rates of inputs (contributions) and outputs (gains) for all parties involved in an exchange (equity exchange between a taxpayer and the Government, vertical and horizontal equity between taxpayers). Wenzel (2005) considers three types of equity: output perceived honesty (measured by the effectiveness of decision makers), honesty and treatment procedures equity (measured by the size of the black economy as a share of GDP), honesty of the sanctions imposed.

If comparable rates are not perceived, an individual will be trying to return balance by spoiling its inputs and outputs or the others' ones, or will endeavor to convince himself that the unequal relationship is really fair.

Experimental results linked with equity theory have shown that individuals - for whom honesty is a major factor in decisions under - who receive no public charge transfer perceive their equity

exchange with the government to be less equitable and thus report lower income than taxpayers who receive a public transfer.

If honesty is not a major factor in decisions on compliance, increased public transfers in favor of the taxpayer will increase well-being and so the person will take a higher risk by reporting a lower income.

It is beneficial for governments to understand the process by which individuals comprehend their exchange honesty in relationships and explore the characteristics of those taxpayers whose tax reporting behavior is more likely to be influenced by the perceived fairness of the exchange.

5. TAX EVASION

Optimal tax evasion depends on the real income earned, the probability of being caught and sanctioned, the amount of the sanction and the individual risk aversion (risk aversion increases when the income is obtained easily and unexpectedly – “house money”).

The determinants of tax evasion are: the “demographic” determinants : age (older taxpayers are generally more compliant than younger taxpayers and less risk-seeking than the younger ones), gender (the compliance levels of female taxpayers are normally higher than for male taxpayers because female are more business ethical), education (the general degree of fiscal knowledge and the specific degree of knowledge regarding tax evasion opportunities are negative correlated with tax evasion) and occupation status; the “economic” determinants: income level (middle income taxpayers are generally compliant with tax laws, while low income level taxpayers and high income level taxpayers are relatively non-compliant with tax laws), income source (the greatest opportunity to evade income tax exists from those who derive their income from agriculture, independent trades or self-employment), marginal tax rates (higher marginal tax rates lead to reduced tax evasion), sanctions and probability of detection, and tax system complexity (complexity creates uncertainty and taxpayers try to countervail it by increasing their compliance); and the “behavioral” determinants: fairness, revenue authority initiated contact (while southern European countries have a long history of trying to improve tax compliance by strengthening enforcement, these same countries have the lowest tax compliance rates in Europe (Jackson and Milliron, 1986, p. 139). Conversely, reducing the level of contact between public tax officials and taxpayers by means of a self-assessment tax system decreases the possibility of widespread tax resistance and tax evasion, as well the citizen involvement in the political process of voting on tax issues foster the relationship between citizens and the state.), compliant peers (perceptions that tax policy is fair are associated with reduced levels of tax evasion) and ethics or tax morale (where tax morale is high, lower levels of tax evasion can be expected). (Jackson and Milliron, 1986)

Tax evasion can be considered as a game whose players are taxpayers and tax authorities and the stake is represented by taxation. But tax evasion is not a gamble because it involves moral considerations –emotional cost- besides the monetary benefits and the costs of evading taxes.

If the penalty for tax evasion is proportional to the underestimated tax, and not with the undervalued income - thus a tax rate increase takes effect only on income - a greater tax rate will reduce tax evasion. (Yitzhaki, 1974) In contrast to the economic prediction described above, most field and experimental studies find the opposite result, i.e., taxpayers typically report less income after a tax rate increase.

An experiment carried out by Slemrod, Blumenthal and Christian (2001), through which were sent letters to taxpayers which mentioned the likelihood of a possible audit / tax returns control, have demonstrated that the taxpayers notification of an increasing probability of tax return examination before submitting a tax return improves tax compliance. Those with low and middle income who received such a letter reported more than those who did not receive such a letter but for those with high income, the ratio was not significantly different. This is due to the fact that high income people see the audit as a negotiation and taxable income as a first offer of negotiation which does not necessarily determines the punishment of all illegalities.

But people with higher income tax system elude less than those with low incomes relative to their income size (Christian, 1994 - those with an income of more than \$500.000 reported an average 97,1% of their actual income unlike 78,7% for those with income between \$5.000-\$10.000). This is in agreement with the words that the poor evade and the rich avoid taxation.

Also, in practice it was observed that those who use the services of a tax consultant, are those who want to minimize the taxes they have to pay, rather than those who have need to complete their tax returns correctly, in accordance with the fact that personal ethics is not part of the tax advice.

The research conducted in the United States proved that the tax returns prepared by tax consultants have a higher degree of non-compliance than those prepared by individuals, and consultants have motivated this by the fact that their customers want it. (Klepper and Nagin, 1989, Erard, 1993)

It is reason to seek to maximize an output by calculation of expected costs of evasion detection and the benefits supposed by evasion (Allingham and Sandmo, 1972). A taxpayer will evade the system only if the legal penalties presumed exceed the anticipated additional revenue as a result of their concealing, the cost of compliance exceeds the benefits.

The higher the marginal tax rate, the greater the gain from withholding income from taxation, but more likely that the fraud will be detected, so a lower expected utility of evasion.

Some taxes can be evaded easily than others. These are taxes on gift, estate, property sales and other incomes (income from disposal of using goods, agriculture, copyrights, royalties) for which reporting is done voluntarily by the taxpayer. These taxes are the Achilles heel of the legal system. However, if the employer reports to the state the taxable income of employees, there are limited technical ways for employee to bypass the tax. What is considered an unfair tax may be socially acceptable to be defrauded. The redistributive taxes (taxes help the weak, improve the living conditions of the poor, poverty and social inequality) are perceived as fair in accordance with the propensity for redistribution.

Taxes on income as wage income are difficult to be deceived because the income reporting obligation lies to employer (the tax is withheld, most countries apply PAYE system - "pay as you earn"), yet those working under the banner of black economy dupe this tax. Contributions can be circumvented by firms by not declaring the real number of workers, their salaries according to the number of hours they have worked and self-employed persons can escape more easily through voluntary withholding a share of their revenue from reporting.

Fuel excise duties can be avoided only for diesel used in agriculture, but impossible for those who fill the cars only from petrol stations, the excise duties on alcohol can be dodged only for undeclared homemade drinks.

VAT is more difficult to be defrauded because of the possibility of checking sales among companies but this procedure could not be applied for the sales between firms and customers. Tariffs can be avoided by not declaring all goods to customs and undervalue them.

Returning to perception, people who pay a particular tax believe that tax evasion is less common for that tax. Those who own a property suspect less the evasion of the property tax because they pay this tax (as well as some companies about the corporate income tax, employees' contributions) because they have experienced difficulty in avoiding that tax, so that they envisaged the others that are not absconding these taxes. In addition, individuals believe that those who have something in common cannot be fraudsters. Also trust is considered to be important for maintaining social capital, economic and social development of societies (Hammar et al., 2009, p.239). If an individual confidence in others is emphasized, the others will be suspected in a lesser extent as cheating.

6. DISCUSSION AND CONCLUSION

Taxes affect taxpayers situation - reduce the possibility of consumption and induce a loss of utility- so that sometimes it can cause individual resistance in terms of its tax liabilities, generating that phenomenon called "antifiscalism". In this framework, the Government has linked hands and through the fiscal policies enforced it even offers the opportunity to get rid of tax (to absent oneself

from tax), as a fact, nowadays evasion is taking epidemic proportions. Moreover, the Government's response to this phenomenon: permanent changes and tighter tax laws challenged the taxpayers to find legal procedures in order to lessen their tax burden through grasping and using tax loopholes in their own benefit.

As part of the decision making process, the efficient tax planning strategy is to maximize profit by choosing the option that offers the highest net income and not the one that minimizes the total tax liability. In other words, a balance between costs and benefits with the objective of maximizing the expected profit after tax (net income) because the marginal cost of transfer of one additional monetary unit further increases as more monetary units are transferred. Another tactic is to mitigate the consequences of their transactions if they are the subject of tax authorities control.

The demarcation between tax avoidance, tax flight and tax evasion is frail, all these three aiming at reducing the tax burden. Due to legal differences and moral concerns it is however likely that individuals perceive them as different. Tax evasion is perceived rather negatively- an illegally action, tax flight- the relocation of businesses by making use of offshore tax havens- neutrally and tax avoidance positively- a legally action by exploiting tax-loopholes. (Kirchler, 2003, p.535)

Tax optimization can be assimilated to tax avoidance that is constituted by implementing some procedures that camouflages evasion and thus tax avoidance is tolerated tacitly. Tax avoidance also labeled as income smoothing, earnings management, big bath accounting, creative accounting, window dressing, aggressive accounting, cosmetic reporting and financial engineering includes activities such as: investing a portion of the profit realized in procurement of goods, for which the state provides facilities, although its use is not the same as that provided by law; the deduction of a greater proportion of certain categories of deductible expenses; overestimation of deductions, exemptions or other adjustments of taxable income; an economic unjustified amount of depreciation; profits shifting in countries considered as tax havens; subsidiaries financing in other countries through residence country loans (in order to deduct the interest); transfer prices that do not respect the „arm's length transactions" principle; repatriation of dividends; changes in the accounting methods or estimates employed. In addition, the difficulty in assessing the value of intangible assets is related to higher tax planning opportunities as a result of the deductibility level of research and development expenses.

In the United Kingdom, the legislation has stipulated the obligation for tax consultants to notify their customers of tax evasion schemes - "transparency of information about schemes to avoid imposing".

According to the Kantian principle, everyone is allowed to make use of his rights to the extent that he does not cause others harmful. Thus the question is whether an action oriented to minimize taxation has consequences for others. Is there an abuse of rights through the concretization of such actions and their proliferation?

If the taxpayer is aware that in the near future will be introduced new tax policies (economic policy incentives for certain socio-professional categories or fields) and certain legislative provisions will be changed, he will modify his behavior (actions, organization form, the object of activity, etc.) to take advantage of the opportunities offered by that new context. Also, a strong visible tax benefit would change the voters' decisions in an electoral process.

Besides perception, the lack of information places a greater risk of making erroneous decisions. On the one hand, information is beneficial, but if financial reporting standards would require an additional disclosure of relevant information (information advantage that compensates for informing costs) this could sharpen the likelihood of international mobility of capital. Studies have shown that fiscal accounting is designed to meet the information requirements of investors and in countries where accounting is aligned with taxation, financial reporting provides information of a less significant value (Ali and Hwang, 2000), which is a paradox.

Economists see tax evasion as a technical problem, instead, psychologists see it as a social problem. (Cullis and Lewis, 1997). If individuals consider tax payments as a gamble, solely specified by exogenous variables, the best choice would be to evade (Alm et al., 1992).

But evasion is not only a function of opportunity, tax rates, probability of detection, social interaction, personal values and attitudes towards public issues, self-interest, trust, norms and moral principles, etc., but also an individual preference for evasion or tax compliance (Cullis, Lewis, 1997)

There is an intrinsic motivation because taxpayers agree to be subjects to taxation as a result of a "civic virtue" or a civic duty (Orviska and Hudson, 2002) and an extrinsic motivation, taxes payment as a result of the fear of punishment.

A person can avoid taxes if he appreciates that government fiscal policies are wrong: the government expenditures with a social aim are assigned to targets not be deemed necessary also by taxpayers, the government does not act in their citizens' interest and provide public services under standard, the distribution of the tax burden between different categories of taxpayers is not correct, as the structure of taxation.

Reducing tax evasion cannot be done simply by applying tougher sanctions and increasing audit frequency, in fact these can even help to create an environment in which corruption and bribery to be more prevalent in order to reduce taxation compliance and thus lead to a general loss of confidence in public institutions. Even use of threat and coercion, especially if they are considered to be illegal, may produce the opposite effect than that which is hoped in terms of behavior (Brehm 1981, Murphy 2004)

Tax evasion can be dwindled by increasing tax morale, which can be achieved through taxpayers participation in decision-making in a direct democratic system. (Pommerehne et al., 1997, Torgler, 2003b). Moral obligation to comply with the tax is incurred when tax officials treat taxpayers with respect and is reduced if they feel they are forced to pay taxes (Feld and Frey, 2002b)

Behavior deviations or motivations such as: "If I am convinced that everyone else is cheating, why should I be honest?" (Frey and Torgler, 2006) can also be eliminated if there is at least one individual who declare his income, in order to change the rules imposed and overcome the latent fear that his action will be punished by the guild with the exclusion from the business. This case outlines another psychological cost, that to be the person who complies with the tax system and thus to be seen by the others as a pariah instead of a free rider.

Tax evasion reality invites to rethinking of the tax problems and the capricious tax system, as follows. It is necessary to develop an extensive activity of design, promotion and inoculation of tax ethics, both among taxpayers and among tax officials (tax consultants, tax authorities). Klepper, Mazur, and Nagin (1991) have emphasized the dual role of tax consultants - namely the exploiting role (in ambiguous situations, they encourage tax avoidance because they have tax knowledge and explore the gray areas of fiscal rules, know what irregularities are pursued by fiscal authorities) and the enforcers of law (in unambiguous situations, they provide tax minimization strategies). If practitioners are required to prepare a false or incorrect tax return, the tax consultant should discard to provide assistance for that customer. As in the case of endorsement marketing, a disinterested third party should provide information in respect of certain taxes incumbent by a specific taxpayer. Moreover, raising tax training will reduce intuition (fiscal illusion) and incorrect perception that support fiscal decisions, because it is assumed that the individual pursues its own interests subject to moral constraints, without having altruistic concerns.

Because we are living in a new ecosystem which is based on an ongoing pecuniary relationship, raising the level of willingly tax acceptance and taxpayers awareness on tax obligations could be done by highlighting the negative social impacts in terms of welfare loss and incorporating social and cultural norms (recognizing shame and not replacing them) in tax reporting decisions, as a consequence that " people are sensitive to the way that are treated by the others" (Bowles, Gintis, 2006,172).

In conclusion, whatever the penalty, tax evasion will prevail and will surprise by the inventiveness of evasion methods, especially since tax evasion is considered by some to be the smartest thing they can do. In fact nobody wins, we deceive ourselves.

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