

Tax Morale as Perceived by Accounting Professionals

Antonio Lopo Martinez¹ , Ivan Rafael Fassarella Pereira²

¹University of Coimbra, Coimbra, Portugal.
²Master's in Accounting (Fucape)



¹antoniolopo@terra.com.br

²rafael_fassarella@hotmail.com

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Orleans Silva Martins
Paulo Roberto da Cunha

Abstract

Objective: This study evaluates firms' taxpayer morale or the intrinsic motivation to pay taxes and comply with tax rules through the perception of their accounting professionals, specifically whether there is an influence from i) penalties, ii) *tax audit* probability, iii) rewards, and iv) tax amnesties. The focus on accountants' perceptions of their clients' tax morale is more reliable than the taxpayers themselves because they are more likely to report accurate perceptions.

Method: Tax morale was measured through a self-applied questionnaire applied between accountants' professionals that provide their tax services to firms, disclosing their higher or lower accountants' perception on tax morale of their clients, concerning the four incentives analyzed, captured from 344 Brazilian accountants.

Results and Discussion: The research findings indicate that applying punishments and penalties is the most potent instrument for raising tax compliance, along with the perceived likelihood of an audit. In contrast, tax amnesty programs' successive applications may erode tax morale.

Contributions: This research deepens the understanding of what legislators and tax administration can do or not do to encourage more excellent tax morale. Dealing with tax morale is an important issue, as crucial as reforming the entire tax system. Preserving tax morale is relevant to motivate the taxpayer to pay his fair share of taxes, contribute to financing public services, and provide relief to those who may need government assistance.

Keywords: Tax morale, tax compliance, rewards, tax amnesty, Accountants' perceptions.

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Introduction

This article seeks to understand factors that influence tax morale in firms from the perspective of their accounting professionals. Tax morale is understood in this paper as the intrinsic motivation to pay taxes and comply with tax rules. Therefore, tax morale is an endogenous function of agents' perception of tax compliance (Bruno, 2019). Our purpose is to confirm the assumptions of the rational economic model, proposed by Allingham and Sandmo (1972), based on Becker's Crime Theory (1968) and established nationally by Siqueira and Ramos (2006), that the increase in audit probabilities and *finis* minimizes tax evasion (Rossini & Kanayama, 2017).

Based on the role performed by accountants, including intermediating taxpayer's relationship with the tax authorities, besides being co-responsible for tax obligations, the main research question is to identify whether penalties, audit probability, tax amnesty, and *rewards* encourage the taxpayers' tax morale in firms. Pragmatically, the overall objective is to investigate whether *finis*, audit probability, tax amnesties, and *rewards* are incentives that affect taxpayer tax morale in the perception of accountants.

The motivation for the study was given to the extent that understanding the incentives, in the perception of accountants, that impact tax morale may bring new approaches for minimizing tax evasion (Elffers, 1991). However, as mentioned above, nationally, studies dealing with the topic are rare (Siqueira & Ramos, 2006; Martinez, 2014; Martinez & Coelho, 2019), besides it is known that the social cost of maintaining a tax system as such, with approaches that are primarily based on inquiry, audit, and punishment for collection purposes, is too high.

Methodologically, a self-applied questionnaire is applied using professional social media, captured from 344 Brazilian accountants. The research findings indicate that the application of punishments and penalties are the most potent instruments for raising tax compliance, along with the perceived likelihood of an audit. In contrast, the successive application of tax amnesty programs erodes tax morale.

The paper contributes to filling gaps and provides theoretical advancement, exploring other guidelines that govern the taxpayers' tax morals under the perception of their accounting professionals. By focusing on accountants' perceptions of dimensions that influence tax morale from their clients, we theoretically and empirically analyze critical drivers of tax morale. In this sense, the study is

relevant because it discusses current incentives that affect tax morale and consequently affect tax compliance from the perspective of professionals that deal with tax issues recurrently.

The theoretical basis around some incentives to maintain tax morale will be discussed in the remainder of the article. Next, the methodology will be presented, particularly the structured questionnaire to verify accounting professionals' perceptions. In a subsequent part, the results will be discussed in-depth, ending with some reflections on the research findings and their implications for a better rationalization of the Brazilian tax system and tax administration performance.

2. Theoretical background

Since the beginning of taxation, there has always been an economic discussion between the tax authorities and the taxpayers. The tax authorities, constantly in need of instruments to achieve social goals, do not hesitate to impose penalties, most of the time, in a rigid way, on the taxpayer who does not perform his tax duties. Moreover, they use the traditional method of punishment to educate the tax transgressor. Thus, the tax system is based on premises posterior to the offense; there are no preventive actions and stimuli to the taxpayer. Alm et al. (1992) report that studies on taxpayer behavior and why paying or not paying taxes have recently become more prominent in the academic field.

In response to the questions, Allingham and Sandmo (1972) proposed the Economic Rational Model, based on Becker's Crime Theory (1968), proving that the probability of audit and *finis* are the main inhibiting factors of tax evasion. The concept of the crime paradigm arises from the conception that taxpayers act as potential criminals who need to be coercively persuaded to comply with legislation (Alm & Torgler, 2011). Thus, the model presented relies solely on the economic rationality of taxpayers by coercive means, based on the perceived probability of audit and the possibility of being punished (Kirchler, 2007). In addition, Frey and Jegen (2001) expose the presence of factors associated with sociological, cultural, and psychological premises that contextualize events a priori to tax offense, which encourages tax morale.

Tax morale, defined by Martinez & Coelho (2019) as the extrinsic and intrinsic motivations for tax compliance, has gained economic and social prominence. In this context, the present study explores tax compliance and morale and some factors that may be their determinants.

2.1 Audits and penalties effect on Tax Morale

Crepaldi (2002) defines *tax auditing* as the determination and analysis of the tax declarations of a given entity to ensure the fairness of its values. Furthermore, Mayer and Gongora (2011) define punishment as an action that aims to minimize the future possibility of a particular behavior occurring again. Thus, punishment can be defined as negative reinforcement to a response. In the tax field, *finés*, among other punishments, are one of the most expressive punitive instruments of the tax authorities. Freitas (2007), however, adds that penalties are less efficient when compared to auditing when it comes to tax compliance.

According to Alm and Torgler (2011) and Leviner (2008), taxpayers act as if they were gambling, where they analyze the benefits of tax evasion and the probability of being caught. In this way, tax compliance happens for fear of being detected and punished through risk assessment. Allingham and Sandmo (1972) elucidate that taxpayers are based on the probability and perception of being audited and punished. The decision of whether to pay taxes is twofold: to declare their real or unreal income. The choice results in the probability of being investigated, seeing low probability individuals will decide on economic grounds, opting for evasion.

Freitas (2007) states that if the taxpayer considers the probability of being audited low, he will feel compelled not to settle part of his tax duties. According to Murphy (2008), the rational economic approach states that taxpayers analyze the risks and advantages. If they believe that the chance of being discovered is slight compared to the financial gain, they will consider the risk worth it. It is important to stress that according to Bobek and Halfeld (2003), risk assessment differs from subject to subject, so a particular taxpayer may believe that the chance of being caught too high would be more susceptible to tax compliance (Feld & Frey, 2007). In agreement with the above, Martinez (2014) questions the economic model's findings because some countries make little use of coercive instruments that incite tax obedience. Yet, these countries still have a high degree of tax obedience Choo et al. (2016).

2.2 Rewards effect on Tax Morale

There is still no empirical evidence in Brazil of the effect of the reward on tax morale, so this study set out to confirm the impact elements. Zilio (2010) pointed out that positive stimuli, for example, the cultivation of rewards, can increase tax morale since positive reinforcement stimulates the repetition of a given behavior. In addition, the feeling of cooperation would awaken a kind of standard psychological contract, creating a less evasive scenario for tax payment (Alm et al., 2012). On the

subject, Martinez (2014) reports the urgent need to conduct studies that explore other variables that would stimulate the compliance of tax obligations by taxpayers, not only related to punitive aspects, such as positive stimulus variables, in this case, a reward system.

According to Alm and Torgler (2011), the rational economic model's uses of reprimand tools are suitable initial mechanisms in minimizing tax evasion, but they are insufficient. Elffers (2000) states that the power of government coercion is not the only method that influences tax obedience, as the gap of other aspects that impact the decision to evade or not evade taxes is observed. The risk of being caught and punished is a consistent initial mechanism. However, the authors believe that other multifaceted approaches are needed. A demonstration of gratitude through *rewards* by tax agencies to individuals who pay their tax obligations on time (Kastlunger et al., 2011).

Torgler (2005) reports that the reward mechanism is more efficient when compared to punishments. Thus, to inhibit transgressive behavior, the appropriate behavior is promoted — encouraging tax morale with *rewards* rather than the isolated use of coercive instruments. Even though there is no empirical evidence of efficiency and effectiveness in using *rewards* as a mechanism to stimulate tax morale, it is known in principle as the basis of human behavior interaction (Alm & Torgler, 2011; Feld & Frey, 2007).

Carvalho et al. (2012) argue that even though it is a subject linked to the economic area, it is necessary to consider the sociological and psychological aspects that, until then, have been little explored in previous studies on tax obedience. In psychology, in behavioral sciences, behavior responds to different interactions of the individual and his environment through stimuli that promote or repress behavior. In this context, an example of positive reinforcement can be illustrated by the experiment conducted by Baum (2006), where offending drivers were rewarded rather than punished for their transgression. The study concluded that drivers felt special when they received rewards, and, as a consequence, they started to respect speed limits, for example.

Thus, to better persuade taxpayer behavior, there is a need for adoptions such as *rewards* and social acceptance, which decrease the need for immediate negative reinforcement. Feld and Frey (2007) point out that exhibitions, participation in events, appreciation, and social evidence are peculiar reward mechanisms that gratify people to practice a confident attitude, compelling them to socially healthy behavior. Zilio (2010) adds that positive reinforcement raises the possibility of determining behavior driven by the reward mechanism. Tax compliance is a socially rewarded behavior that induces an increase in tax

morale; in fact, the social stigma associated with tax evasion is high, and tax compliance is highly rewarded; in this case, social pressure pushes the individual towards tax compliance (Di Gioacchino & Fichera, 2020).

2.3 Tax Amnesties effect on Tax Morale

Tax amnesty can be seen as the postponement of deadlines for tax obligations and actions that mitigate penalties or reduce the number of penalties. In some cases, it may even lead to the extinction of the tax liability. In Brazil, the Tax Recovery Programs (REFIS) are prevalent, and asset repatriation and transaction agreements are some of the most common examples. In fact, according to Bezerra (2020), *rewards* work better than punishments when comparing the effects of both to tax delinquency, producing more lasting results. However, when the taxpayer receives controversial signals from the Administration, such as periodic amnesties and installment plans, his learning is impaired, eroding his tax morality.

Freitas (2007) warns that *tax amnesties* impact the future decision of taxpayers, where the transgressor behavior, when not repressed or even benefited, will discourage tax morale. Slemrod (1985) and Silva (2015) add that the use of *tax amnesties* is every day in several countries and has the sole purpose of collection without high costs, not considering the consequences on taxpayers' tax compliance in the long run. The effects of *tax amnesties* on tax evasion are diverse, and honest taxpayers may perceive the amnesties as a privileged treatment to those who do not pay their taxes, thus reducing the compliance of honest taxpayers. Marton (2003) agrees with creating public mechanisms that prohibit such practice since it insults those who pay their taxes on time. Besides engendering in taxpayers, the feeling that new amnesties will occur, thus reducing future compliance. Posner (2000) states that tax amnesty programs are related to unstable governments, which opt to postpone future funds for the current one. Naturally, this generates a certain distrust in the taxpayer with the collection. Besides serving as a stimulus to transgressive behavior, the *tax amnesties* weaken the state's punitive power, doubly damaging tax morale (Feld and Frey, 2007).

However, Silva (2015) points out that such systems or programs that exempt the tax payment also greatly influence individuals' decisions, inciting them to pay their tax debt. In this case, the view of the variable: tax amnesty, as a chance to increase momentary tax collection, does not consider the negative behavior of taxpayers in the long term, reinforcing a transgressive behavior. It is noteworthy that the way the government operates influences the taxpayers' tax morale, tax compliance, and the amounts collected (Rodriguez-Justicia & Theilen, 2018). In addition, the complexity of the system directly affects the

confidence of taxpayers, influencing their tax decisions, and in return, reflecting in a higher cost of collection (Kirchler, 2007; Alm et al., 2012).

Amnesty harms individual behavior if taxpayers perceive injustice. The ongoing amnesty programs and unique tax installment plans directly impact reducing the likelihood of punishment costs, making it economically viable for companies to avoid tax evasion or abusive tax planning, even in the case of public *finis* (Mattos, 2017). Taxpayers realize that those who do not timely fulfill their obligations are systematically rewarded with reduced *finis* and penalties, in absurd contradiction to those who meet their obligations with sacrifice and diligence. As a result, a feeling of tax injustice and breach of a social contract is created in the rightness taxpayer. It is fed by dissatisfaction with unfair treatment and a consequent reduction in tax morale.

In sum, it is theorized that tax morale is the product of factual circumstances perceived by the taxpayer, which significantly influences tax compliance. The following figure 1 illustrates the main conditioning factors of tax morale perception from the perspective of this research:



Figure 1: Determinants of Clients' Tax Morale from Accountants' perception

Source: Prepared by the authors.

3. Methodology

The research carried out on the theme of tax morale grounded the study to understand better what influences the taxpayers' behavior in the perception of accounting professionals from their client's relationship. The focus on accountants' perceptions of their clients' tax morale is more reliable than on the taxpayers because they are more likely to report accurate perceptions, having the advantage of knowing their clients closely. In contrast, the taxpayers may not answer the questions reliably.

Professionals, who participated in the research, were informed of the purpose of the study and gave spontaneous consent.

Then a regression model was created to elucidate the socio-economic variables of these professionals: age, income, gender, level of education, and the number of companies under the accountant's technical responsibility; with the perception of tax morale that accountants have concerning the effect of the following aspects: Penalties, Probability of Audit, Tax Amnesty and Rewards.

3.1 Target population

The research was carried on exclusively with accountants who work directly with the taxation and help clients comply with tax obligations. For this purpose, the accounting professionals who deal directly with the taxpayer concerning tax issues, through the provision of services in the tax field, intermediate the relationship/interaction of both parties, understanding their behavior. In addition, these professionals are co-responsible for fulfilling their clients' principal and succession obligations. Professionals were surveyed from professional social media, accounting educational environments, and the website of firms providing tax accounting services in Brazil.

3.2 Questionnaire design and data collection

The strategy used was the questionnaire survey to foster quantitative data about a specific population (Freitas, 2000). The data collection instrument was the self-administered questionnaire technique with twelve (12) self-administered questions, the collection was completed, and the data was tabulated in 2018. The questions were divided into groups of three and presented in the following order: *tax audit* (from 1 to 3), *penalties* (from 4 to 6), *rewards* (from 7 to 9), and *tax amnesties* (from 10 to 12). These four constructs are directly related to tax compliance, remembering that tax morale is an endogenous function of agents' perception of tax compliance (Bruno, 2019). The instrument was initially applied in Portuguese since the target population was Brazilians Accountants. Therefore, the questionnaire presented here represents a faithful translation into English. See the questionnaire in Appendix A.

Initially, the questionnaire was sent by e-mail and applied in print to several contacts of accounting firms in Brazil, which had accounting professionals that fit the criteria of this research that provide tax services to firms. The e-mail contacts were obtained directly from the online page of the companies. This technique was chosen because it can reach many individuals to seek answers to the questions, measuring and comparing the findings obtained. Then, the questionnaire was applied in three moments, filled out initially by only 09 respondents in the

first stage and 39 respondents in the second stage. Afterward, general aspects such as format and sequence of responses, ambiguity, misunderstanding, and redundancy were discussed.

In this stage, after each subject answered the questionnaire, they were approached personally, by phone or by email, asking about their understanding of the questions presented. In addition, we tried to find out if there were any misunderstandings of the terms offered, items or words. Thus, according to the respondents' orientation, changes were made, more specifically in those questions of a socio-economic nature. Finally, the questionnaire was applied to additionally 296 accountants, in total 344 (three hundred and forty-four) responses, most of them requiring constant contacts by email and phone to have the answer to the questionnaire.

Validation was performed from a pre-test, with experimental proof that the data collection object captured the effect or behaviors that one wants to study. The pre-test aimed to verify that all items were understandable to all sample members and that their results describe the object of study sought. The method for obtaining the answers considered the nature of the questions, where a *Likert-based* scale was adopted, making use of the terms: Always (5) - Almost Always (4) - Sometimes (3) - Rarely (2) - Never (1), thus quantitatively describing the occurrence of each variable about tax morale. In the end, it is expected that, by using the arithmetic sum of the answers referring to each variable, it will be possible to quantitatively evaluate, in scale, the influence of that variable on tax morale within the accountants' perception.

By dividing them into four parts separately, we can infer the degree of tax compliance and their impact on their clients' tax morale. The higher the score in each piece, the greater the influence of that specific factor on tax compliance and their clients' tax compliance and tax morale in his perception. Additionally, by segregating, it is possible to have a comparative metric. When the total score is reached by adding up the scores of an accountant's perceptions, we achieve a tax morale coefficient of the firms attributed based on the perception of their accountant professionals. As socio-economic factors may influence the perception of tax morale an accountant forms with his clients, some specific questions were asked to the accountant in charge of an accounting firm.

The maximum value of the scale for each of the four controlled aspects will be 12 (strong influence of the variable on tax morale) and the lowest, 0 (no influence on tax morale). The proposed survey was duly validated by using Cronbach's Alpha coefficient. Its value varies between 0 and 1 - with proximity to 1 indicating greater consistency between the indicators (ques-

tions), with values between 0.60 and 0.70 being considered the limit of accepted values.

3.3 Tax morale measure refinement

Adding the study, though the average score obtained from each variable estimated a 5th dimension, called variable "coefficient of perception of tax morale," which has the maximum coefficient of 48, considered the total sum of the scales of the other variables. The respondents with the highest perception obtained a coefficient of 39, and there was also a response as the minimum value of the scale, with 1 in the perception of tax morale.

In Figure 2, the distribution of the frequency of responses of this set can be seen. The higher the coefficient, the higher is the accountant's perception of the tax morale of his clients. The coefficient of perceived tax morale is characterized in this research to four indicators, the perceived probability of tax audit, penalties, rewards, and tax amnesty. As can be seen from the figure, the distribution is very similar to a normal shape distribution. No significant outliers have been identified, so no specific procedure is necessary to control their effects, even though we find some results with 1 and 39.

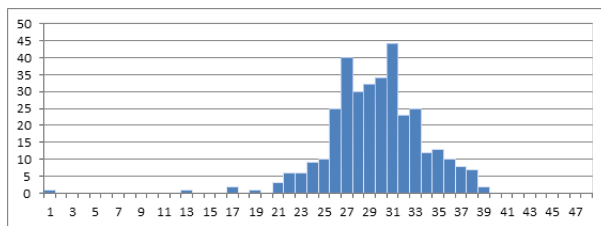


Figure 2: Frequency distribution.
 Note: Y = Number of respondents; X = Coefficient of Perceived Tax Morale.

Source: Prepared by the authors.

It should be noted that Tax Morale is a qualitative attribute, ordinal in nature, and cannot be interpreted as a discrete variable. Therefore, we transform a qualitative feature by quantifying it on a Linkert scale and replicating a survey on a significant sample of respondents. Through this procedure, we transform a qualitative attribute into a quantitative variable. In sum, to assess the perception of tax morale, a multidimensional quality, we understand that the metric developed transforms a qualitative attribute into a quantitative dimension in a less biased manner.

3.4 Regression Model

A regression analysis was performed to identify how their socio-demographic characteristics influence accountants' perception of their clients' tax morale. To do this, we applied a multiple regression model when the dependent variable was

the coefficient of perception of tax morale (*CoefPercTaxMorale*). This model sought to demonstrate statistically possible differences between the socio-demographic variables and the *CoefPercTaxMorale* and the indicators' differences. For the research, we have estimated the following model:

$$CoefPercTaxMorale = \alpha_1 + \alpha_2 Inc + \alpha_3 Educ + \alpha_4 Age + \alpha_5 Emp + \alpha_6 Gender + \epsilon_{ii} \tag{Eq(1)}$$

Where: *CoefPercTaxMorale*: perceived coefficient of tax morale; *Inc*: income; *Educ*: education; *Age*: age; *Emp*: employer and *Gen*: gender. For more in-depth details, see results in section 4.

The data were treated using the quantitative technique to describe and predict phenomena associated with taxpayers' tax obedience under the perception of the Brazilian accounting professionals who answered the questionnaire.

4. Analysis of results

The analyses of the observed results focus on the calibration of possible differences in tax morale related to the questionnaire questions and the evaluation of the regression of the survey responses. The first subsection below displays the frequencies of the variables studied. The second discusses the socio-economic characteristics of accountants and their effect on the perception of the tax morale of their clients.

4.1 Analysis of the respondent tax accountants

Of the total of 344 respondent accountants, 144 are women (41.86%), and 200 are men (58.14%), results that meet the data of the survey conducted by the Federal Accounting Council of Brazil in the year 2012/2013, where the data showed that 33.9% were female accountants and 66.1% were male. About the age range, the most frequent of the individuals surveyed were between 30 and 40 years of age; according to the Federal Accounting Council (2013), the average age of accountants in the country is 40; the survey also highlights the rejuvenation of the profession, given that in previous surveys most professionals are over 40 years old, which was also observed in this study.

As for the level of education, the sample includes individuals who have technical training in accounting up to accountants with a doctorate. Also, according to the Federal Accounting Council (2013), in recent years, there has been a considerable increase in the number of accountants with doctoral and master's degrees, and for the years 2009 to 2013, there was an increase of 400% in the number of doctors and 318% in the number of masters. In the research sample, accounting

technicians represent 7.02% of the total. Accounting graduates represent 50% of the sample, accountants with a specialization represent 34.21% of the total, and those with a master's degree represent 7.89%. In comparison, those with a doctorate represent only 0.88% of the sample. Thus, the data present a distribution trajectory that resembles the national one.

Concerning income, which is also a qualitative variable represented by five different income ranges, in terms of 2018, the results show that 6.55% of the sample has a salary range from R\$4,000.00 to R\$10,000.00, 6.14% has an income between R\$10,000.00 and R\$15,000.00. The individuals with the highest incomes, the richest of the sample, ranging from R\$15,000.00 to R\$20,000.00 and more than R\$20,000.00, 1.17% and 1.46%. In the national survey, 72.6% of Brazilian accountants in 2012/2013 had up to 10 minimum wages (R\$6,220.00).

4.2 Analysis of the accountants' perception of tax morale in their clients

The indicator penalty presents the highest average indicator, 9.03 points, and the hands range from 0 to 12. The higher the result, the greater the influence of the variable on the perception of tax morale about taxpayers' conduct. They were followed by the audit and rewards indicators with 8.47 and 7.81, respectively. As for tax amnesty showed the lowest hand, with an average of only 3.5 points. The variable is perceived as a factor with less or no impact on compliance behavior.

The result found a peculiarity between penalty and audit; however, the average values are close. It is noted that taxpayers, in the perception of accountants, are more concerned with the liabilities resulting from their actions than with the risk that their hidden activities may be discovered in *tax audits*. One of the

possible justifications is that, in cases, the penalties are applied on time for non-compliance with some tax obligation, such as penalties for late payment, inconsistency, etc. So *tax auditing* and penalties go together, so the greater the probability of being audited and punished, the less likely the person will commit the offense (Feld & Frey, 2007). However, as mentioned above, it is worth noting that the fact may be due to some punishments such as *finest* being generated automatically and immediately in cases of late payment or submission of accessory obligation, requiring no human intervention.

The reward presents value below the item's penalty and audit; however, this relevance in the individuals' decision to declare correctly to the tax authorities should not be disregarded since the value presented is considerable and of vast importance. In this way, different tools besides punishments and audits should be used to achieve greater tax compliance, given the motivation generated when being rewarded, inducing the individual to fulfill all his obligations (Baum, 2006; Martinez, 2014; Zilio, 2010). According to the accountants' view, the tax amnesty presents the lowest value. It is perceived as an indication that the existence of pardon does little to incite taxpayers to tax compliance, as pointed out by Slemrod (1985).

The *coefficient of perception of tax morale*, the sum of the four indicators, presented an average value of 28.83, ranging from 0 to 48 points. It is interesting to note that although the variables that form the index vary from 0 to 12, no accountant presented the maximum coefficient for all indicators; thus, the perception of the accountant, the most prudent in guiding taxpayers, presented a *coefficient of perception of tax morale* of 38 points on a scale up to 48. Thus, the higher the value of the coefficient, the greater is their perception regarding the tax morale of the accounting users.

Table 1: Distribution of audit, penalty, reward, and tax amnesty variables

	Average	Median	Mode	Minimum	Maximum	Variance	Standard Deviation	No. items
Penalty	9,03	9	9	0	12	2,52	1,59	3
Audit	8,47	9	9	0	12	2,95	1,72	3
Reward	7,81	8	8	0	12	4,14	2,03	3
Tax Amnesty	3,5	3	3	0	12	3,17	1,78	3
Perception of Tax Morale	28,83	29	30	0	38	14,9	3,86	4

n 344

Source: Prepared by the authors.

4.3 Analysis of the average perception by accountants' socio-economic characteristics

It is possible to visualize the variation in the perception of fiscal obedience when analyzing the different socio-economic characteristics of the respondents. For example, the average perception of women's accountants is 0.32 higher than that of men; however, when performing the mean t-test, the difference is not statistically significant, indicating no difference in tax morale between men and women accountants.

Another socio-economic characteristic addressed in this study is the age of the accountants; only the category over 60 years old differs from the others, presenting a mean of 1.88 lower. That is, accountants over 60 years old tend to have a more pessimistic perception of their clients' tax morale than others. The lower perception of tax morale in the taxpayers studied by the elderly may be related to a more extraordinary carelessness in making the declarations, outdated, and consequently less importance in being co-responsible for them.

We also tried to identify if there was a statistical difference among the different income brackets of accountants; the category of income above R\$15,000.00 to R\$20,000.00 is the one that presents the highest average value of perception of tax morale. The accountants who have income above R\$20,000.00 have the lowest *coefficient of perception of tax morale*. However, there is no statistically significant difference between them. Therefore, the accountant's income will generally increase his perception of his clients' tax morale.

A comparison was also made between the averages of the perception of tax morale about the level of education. It is noted that the accountants with specialization are the ones who present the highest average value of perception of tax morale. The intriguing result was to see that the difference between these and the others is statistically significant, indicating, for example, that the accountants with a doctorate have a lower perception of tax morale. It is believed that the difference is because only three accountants with a doctorate responded to the survey, so if one of them notices in their client's little tax morale about the variables, it leads to a reduction in the average value of the group.

The last socio-economic characteristic related to the perception of fiscal obedience refers to the accountants' technical responsibility, that is, the number of companies for which the accountant is responsible. Again, the averages by a range of duties were documented, and it can be seen that the accountants responsible for up to 10 companies are those with the most significant technical responsibility.

Nevertheless the accountants responsible for 11 to 20 companies, or even those responsible for more than 40 companies, present a lower *coefficient of perception of tax morale* than the other categories. Thus, the larger the number of companies the accountant is responsible for, the lower their perception of tax morale in their clients. This is because the accountant would be more inclined to take risks working with companies that may be more likely to behave aggressively and avoid tax at all costs. So this variable only controls the number of clients; no analysis is made of the diversity of industries, commerce, or services, which is likely to be an issue that influences the accountant's perception.

From the averages analyzed between the groups, it is possible to state that there is a difference in the perception when considering the age of the individuals; specifically, older individuals worry less and perceive less tax morale in taxpayers about the variables. And yet, the more educated accountants were, contrary to what was expected, a lower average value of tax obedience was shown. As for the companies, the larger the number of companies for which the accountant is responsible, the lower the tax obedience.

4.4 Regression analysis

To analyze the relations of individuals on the perception of tax obedience, assuming that the agents' economic rationalities determine their choices but that other factors may be associated with the decision to pay or not pay taxes. Regressions will be estimated by three models, with the coefficient of perceived tax obedience being the variable to be explained in all cases. And its regressors will be the socio-economic characteristics of the accountants.

Model 1 of the multiple linear regression built considering that the variables are continuous, except for the gender variable, used as a *dummy* that presents a value of 1 if the accountant is male and 0 otherwise. The other variables vary from 1 to 5 according to the definite ranges. The higher the attribute, the higher the corresponding value. The male variable, age, and level of education were not statistically significant at the level of up to 10% significance, indicating that none of these variables can be linked to the tax morale of what concerns their perception or risk of tax co-responsibility of their clients. This result is associated with the previous section's absence of statistically significant divergence between the categories.

About the other variables, income is statistically significant, presenting a positive sign, which indicates the higher the income of the accountant responsible for the taxpayer, the higher will be their perception of tax morale, i.e., an

additional unit in the income range, that is, the change of range generates the increase of 0.92 points in tax morale. Therefore, the better paid the professionals are, the higher their perception of tax obedience; thus, they perceive more sensitively the nuances of the variables, indicating a higher degree of commitment to conduct and participate in the tax responsibilities of their clients.

The number of companies that the accountant is responsible for shows considerable statistical significance. The variable presents a negative sign, indicating that the higher the number of companies (the higher the accountant's range), the lower their perception of tax morale. Thus, adding one unit, indicating a change in the range, which varies from 10 to 10 companies, reduces the perception of tax morale by 0.52 points. This data may suggest a loss in quality and commitment in providing services regarding the perception of clients' tax morale.

Table 2: Linear regression of perceived tax morale as a function of continuous socio-economic characteristics

Tax Morale	Coefficient	Standard Error	T	P-value	95% Confidence Interval	
Male	-0,28	0,45	-0,63	0,53	-1,16	0,6
Age	-0,03	0,25	-0,12	0,91	-0,51	0,46
Level of Instruction	-0,42	0,32	-1,31	0,19	-1,04	0,21
Income	0,93	0,37	2,49	0,01	0,19	1,67
Technical Responsibility	-0,52	0,16	-3,17	0	-0,85	-0,2
Constant	30	0,84	35,72	0	28,35	31,65
ANOVA	344				R² 0,04	N

Difference of mean. T-test. Note: *Dummy* 1 Male and 0 Female. *Level of instruction*: 1.(Tecnician); 2 (Undergraduate), 3(Specialization), 4 (Master's degree), 5 (Doctorate); *Age*, 1 (up to 30 years old); 2 (31-40 years old); 3 (41 – 50 years old); 4(50 – 60 years old); 5 (more than 60 years old). *Income*; 1 (R\$ 1000 – R\$ 40000), 2 (R\$ 5000 – R\$ 10000), 3, (R\$ 11000 – R\$ 15000); 4, (R\$ 16000 – R\$ 20000); 5, (more than R\$ 20000). *Technical Responsibility*: 1, (up to 10 enterprises); 2, (from 11 to 20 enterprises), 3, (from 21 a 30 enterprises), 4 (from 31 a 40 enterprises); 5 (more than 40 enterprises).

However, the regression performed in Table 2 is not the most suitable, as it does not explicitly capture the effect of the variables, given that variables collected as categorical are treated as continuous. Therefore, using it prevents the differences between each category from being observed. Instead, the *dummies* variables will be used to analyze the effect of each type on tax obedience and the differences between them. In Model 2, all variables were added to the regression; one notices many non-significant variables presenting a similarity with the results already found. For example, no variables associated with gender, education, and income showed statistically significant results; however, unlike Model 1, the *dummy* for age between 30 and 40 years

and the category over 60 years were statistically significant, but showed a different sign than expected.

Table 3: Regression of perceived tax morale as a function of socio-economic characteristics using Dummies

Tax Morale	Coefficient	Standard Error	T	P-Value	95% Confidence Interval	
Male	-0,33	0,46	-0,72	0,47	-1,25	0,58
Technician	7,67	4,87	1,57	0,12	-1,91	17,24
Undergraduate	7,80	4,83	1,62	0,11	-1,70	17,30
Specialization	7,66	4,79	1,60	0,11	-1,77	17,09
Master's Degree	5,96	4,88	1,22	0,22	-3,65	15,58
R\$ 1000 - R\$ 4000	-5,25	3,90	-1,35	0,18	-12,93	2,42
R\$ 5000 - R\$ 10000	-4,23	3,87	-1,09	0,28	-11,85	3,40
R\$ 11000 - R\$ 15000	-2,09	3,97	-0,53	0,60	-9,91	5,73
R\$ 16000 - R\$ 20000	-1,06	4,37	-0,24	0,81	-9,65	7,53
Up to 10 companies	2,33	0,73	3,20	0,00	0,90	3,77
From 11 to 20 companies	0,84	0,70	1,19	0,23	-0,54	2,21
From 21 to 30 companies	1,44	0,92	1,57	0,12	-0,36	3,25
From 31 to 40 companies	0,23	0,90	0,25	0,80	-1,55	2,00
Up to 30 years old	2,11	1,58	1,33	0,18	-1,00	5,21
31-40 years old	2,87	1,55	1,86	0,07	-0,17	5,92
41 - 50 years old	2,19	1,56	1,41	0,16	-0,87	5,26
50 - 60 years old	2,94	1,55	1,90	0,06	-0,11	5,98
Constant	22,48	2,83	7,94	0,00	16,90	28,05
ANOVA	344				R² 0,0885	n

Note Socio-economic variables as Dummies.

The income variable, in this case, is the category from R\$ 1,000.00 to R\$ 4,000.00, which is a *dummy* that presents a value of 1 if the individual has this income range and 0 otherwise. It can be seen from Table 4 that there is an inverse relationship between this category and the perception of fiscal obedience. Thus, individuals with an income range of R\$ 1,000.00 to R\$ 4,000.00 view budgetary obedience lower by 0.88 points than the other categories.

It is believed that this result is linked to the fact that better salaries generate greater job satisfaction for accountants and greater zeal to conduct the conduct of their clients; thus, they would specifically fulfill all their obligations, impacting their assessment of their tax morale. Hunt and Osborn (2002) state that the satisfaction of individuals with their work can be associated with various factors such as salaries and relationships with colleagues. If individuals are satisfied, they will be positively motivated and perform a good job. Thus, we can conclude that professionals with higher salaries will be more motivated, more productive, and with greater zeal, and will also spread greater tax compliance in the conduct of their clients, improving the perception of tax morale.

As for the companies' variable, it is up to 10 companies, so the analysis was performed comparing the accountants in this category (value equal to 1) and the others responsible for more companies (value equal to 0). The accountants responsible for up to 10 companies positively correlate with tax morale. The accountant in this category increases tax obedience by 1.55 points over the other types. This result may be associated with the overload of accounting services. To increase income begins to provide services to a more significant number of companies, thus overloading all accounting to the detriment of the quality of services.

The age of the accountants is the last socio-economic characteristic analyzed. The age range of 30 to 40 years was statistically significant and still presents a positive relationship with the perception of tax morale. Thus, the accountant in this age group increases tax morale by 0.66 relative to the other categories. The supposedly lower adherence in the under-30 age group may be associated with ignorance, lower moral obligation, or more significant skepticism toward government authorities.

Table 4: Regression of perceived tax morale as a function of socioeconomic characteristics using *Dummies* - Model 2

Tax Morale	Coefficient	Standard Error	T	P-Value	95% Confidence Interval	
Male	-0,32	0,45	-0,70	0,48	-1,21	0,57
Technician	-0,10	0,87	-0,12	0,91	-1,82	1,62
R\$ 1000 - R\$ 4000	-0,88	0,49	-1,80	0,07	-1,84	0,08
Up to 10 companies	1,56	0,50	3,12	0,00	0,58	2,54
31-40 years old	0,89	0,46	1,92	0,06	-0,02	1,81
51-60 years old	0,61	0,74	0,82	0,41	-0,85	2,06
Constant	28,62	0,56	51,18	0,00	27,52	29,72
ANOVA			344		R ² 0.0461	

Note Socio-economic variables as Dummies.

5. Conclusions and implications

This research developed an empirical study that explored the intrinsic tax incentives regarding tax morale according to accounting professionals' perception, the leading taxpayers' leading advisors, in observing tax regulations. This research is unprecedented in Brazil and, if nothing else, it is highly relevant to deepening the understanding of why firms pay their taxes and what the government can do to encourage compliance with the Brazilian tax system. It also highlights the importance of the accounting professional to increase the tax morale of his clients.

The challenge of tax compliance seems too complex to be explained by a purely economic approach. Therefore, it is essential to include alternative methods of a qualitative and behavioral nature that can help understand taxpayer behavior and structure a set of instruments for an efficient tax policy. In the research reported here, the perception of the risk of a *tax*

audit and the application of penalties directly influence the accountant's perception of tax morale in their clients in Brazil. Penalties, such as *finas*, present a more significant average contribution in encouraging tax compliance. Even though some authors point to the perception of a risk of *tax Auditing* as the factor with the most considerable determination, in the specific case of Brazil, *finas* were perceived as the variable with the most significant influence, for a higher incentive for tax morale. The country's tax structure can explain the result. The penalties and *finas* (ex-officio, qualified and isolated) can be applied instantly when non-compliance with the tax obligation.

Some reward means are seen as a positive incentive for tax morale and compliance by accountants' perception. It would thus impact taxpayers' tax decisions by reinforcing positive behavior. However, the concept of reward pragmatically is not yet fully defined. Therefore, the authorities must seek ways to encourage positive *rewards* to reduce the tax gap. In the opposite direction, recurrent *tax amnesties* are perceived as a factor that negatively affects tax morale. This is because they arouse taxpayers a sense of disregard for regular taxpayers and tax fairness, reinforcing negative behavior in the long run by presenting advantages to the offending taxpayer.

Accountants in their 30s and 40s perceive more excellent tax morale in their clients. This result may be associated with the more extraordinary experience of individuals in this age group and professional maturity than younger individuals, implying a more significant concern about the consequences of their actions and the assumed responsibility. On the other hand, accounting professionals over the age of 60 tend to have a lower degree of perception of tax morale when compared to different age groups. The lower perception of tax morale by the elderly accountants may be related to a more extraordinary carelessness in making the statements, outdated, and consequently less importance in being co-responsible for them.

As for the companies, the larger the number of companies for which the accountant is responsible, the lower the perceived tax morale. This result can be associated with work overload to the detriment of the quality of the services provided. On the other hand, it is believed that this result is linked to the fact that better salaries give the accountant greater satisfaction with his work and greater zeal to conduct the conduct of his clients, in addition to enabling the acquisition of new resources, so that he would specifically fulfill all his obligations and stimulating tax morale in their clients.

It is essential to highlight weak points due to the limitation of the number of accountants who answered the questionnaires and the respondents' possible misinterpretation of the questions. Nevertheless, considering that it is one of the first studies in

Brazil to associate professional accountants' perception with their clients' tax morale, we believe it contributes to this new literature in Brazil. More importantly, the research highlights the relevance of using positive reinforcement, rewards, and encouraging tax morale and implications for the fight against tax evasion. Because rewarded individuals, according to the accountants' perceptions, will tend to deny tax violations.

Regarding the methodological aspect, future studies should deepen the analysis with other constructs that explain tax morale, such as intensive use of technology and tax incentives. Finally, structural equation models may be options to explore to refine the tax morale metric. Another avenue for future studies would be performing a factor analysis of the data.

It is crucial to suggest deepening studies and the quest for feasibility methods that enable positive incentives to taxpayers, increasing tax morale in the sun. It is also vital to strengthen enforcement and inspection and avoid recurrent *tax amnesties* at all costs. Dealing with tax morale is an important issue, maybe as important as reforming the entire tax system. Preserving tax morale is relevant to motivate the taxpayer to pay his fair share of taxes, contribute to financing public services, and provide relief to those who may need government assistance. Summarizing the results, below is an outline of the main findings of this study:

Table 5: Outline the main findings of the study.

Tax Audit	The perception of <i>tax audit risk</i> strongly influences the degree of tax morale and compliance in the perception of the accountants. Therefore, although instruments should be developed to create ambiguity in assessing the risk of a <i>tax audit</i> , such as a program of tax whistleblowing, it would undoubtedly improve tax compliance.
Penalties	The penalty variable, such as <i>fines</i> , has the highest average tax morale and compliance indicator. So it is not always through the perfect goodness of virtue that one obeys the law, but sometimes through fear of punishment.
Reward	Some means of reward are seen as an incitement to tax morale in the accountants' intuition, not so crucial as the perception of <i>tax audit risk</i> and penalties, but not negligible. Accordingly, it is recommended that tax authorities create some instruments to reward the excellent and diligent taxpayers.
Tax Amnesty	<i>Tax Amnesties</i> is perceived as a factor that has no significant impact on tax compliance in the view of accountants. However, the continuous and reiterate offer of programs to reduce penalties will likely erode tax compliance and tax morale.
Age Group	Accountants in their 30s and 40s perceived more excellent tax morale in their clients. Conversely, accounting professionals over the age of 60 tend to have a lower degree of perceived tax morale of their clients when compared to the other age groups.
Technical Responsibility	As for the companies, the larger the number of companies for which the accountant is responsible, the less tax morale is perceived.
Income	Better salaries give the accountant greater job satisfaction and greater zeal to conduct his clients' business and make it possible to acquire new resources so that he would specifically fulfill all his obligations. It has a positive impact on his perception of tax morale. The remuneration of accountants should be fair and would contribute to tax compliance.

Source: Prepared by the authors

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Appendix A - Research Questionnaire

1. Age:

- 20 to 30 years
- 31 to 40 years old
- 41 to 50 years old
- 51 to 60 years old
- Over 60 years old

2. Gender:

- Male
- Female

3. Degree of Instruction:

- (1) Technical
- (2) Graduate
- (3) Post Graduate
- (4) Master's Degree
- (5) PhD

4. Income:

- (1) 01 to 04 thousand reais
- (2) over 04 up to 10 thousand reais
- (3) above 10 to 15 thousand reais
- (4) over 15 to 20 thousand reais
- (5) Above 20 thousand reais

5. Technical responsibility for:

- (1) Up to 10 companies
- (2) 11 to 20 companies
- (3) 21 to 30 companies
- (4) 31 to 40 companies
- (5) Above 40 companies

Accountants' Perceptions from their Clients

Mark only one assertion for the questions below:

1. The investment in technology by the tax authorities influences taxpayer behavior.

- () Always
- () Almost Always
- () Sometimes
- () Rarely
- () Never

2. The tax authorities' crossing of information influences the taxpayers' behavior.

- () Always
- () Almost Always
- () Sometimes
- () Rarely
- () Never

3. The disclosure of the number of tax assessment notices

issued by the Tax Authorities influences the behavior of taxpayers.

- () Always
- () Almost Always
- () Sometimes
- () Rarely
- () Never

4. The application of fines and interest for late submission of tax returns influences the behavior of taxpayers.

- () Always
- () Almost Always
- () Sometimes
- () Rarely
- () Never

5. The application of fines and interest for late payment on the amount of tax paid in arrears influences the behavior of taxpayers.

- () Always
- () Almost Always
- () Sometimes
- () Rarely
- () Never

6. The application of Fines and penalties on the amount of tax incorrectly declared influences the behavior of taxpayers.

- () Always
- () Almost Always
- () Sometimes
- () Rarely
- () Never

7. Granting more time to pay taxes to regular taxpayers will influence taxpayer behavior.

- () Always
- () Almost Always
- () Sometimes
- () Rarely
- () Never

8. Ceremony and public honors for taxpayers in good standing will influence taxpayer behavior.

- () Always
- () Almost Always
- () Sometimes
- () Rarely
- () Never

9. Benefit of any kind granted by the Tax Authorities to taxpayers in good standing will influence the behavior of taxpayers.

- Always
- Almost Always
- Sometimes
- Rarely
- Never

10. Taxpayers are influenced by the chances of new REFIS in paying taxes.

- Always
- Almost Always
- Sometimes
- Rarely
- Never

11. Adhesion to REFIS is a strategic decision by the

taxpayer motivated by other factors besides paying taxes.

- Always
- Almost Always
- Sometimes
- Rarely
- Never

12. The Tax Adjustment Programs (PRT), such as REFIS, stimulate taxpayer default.

- Always
- Almost Always
- Sometimes
- Rarely
- Never