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**A Systematic Literature Review on The Determinants of Tax
Evasion**



Universidade do Algarve
Faculdade de Economia

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A Systematic Literature Review on The Determinants of Tax Evasion

Dissertation for the Master's degree in Accounting

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Abstract

Tax evasion is a relevant topic in both developed and developing economies. Numerous studies have analyzed it from various perspectives, with some focusing specifically on the root causes of tax evasion. This research synthesizes recent findings on the determinants of tax evasion, comparing and integrating the ideas of different academic papers.

The methodology of this thesis consists of a systematic literature review involving a search strategy using bibliographic databases to locate relevant articles published in academic journals. The selection process included eliminating duplicates, reviewing abstracts, and conducting a full reading of the selected papers. Exclusion criteria were applied to refine the search, and a quality assessment was performed based on the contribution to knowledge, discussion of underlying theory, appropriateness of methodology, and accuracy of data analysis. The final sample comprised 28 articles. Descriptive statistics were used to analyze the yearly distribution of papers and the frequency of keywords. The literature synthesis aimed to integrate the selected articles into a coherent whole, identifying connections and patterns within the literature.

This investigation emphasizes the importance of simplifying tax systems to enhance tax morale and combat corruption, particularly in developing countries. It also highlights the role of regulatory and bureaucratic factors in influencing tax compliance at the firm level. Overall, the thesis provides a comprehensive analysis of the determinants of tax evasion, offering insights into the factors contributing to this issue and suggesting implications for tax administrations, governments, and other organizations.

Keywords: Determinants; Tax Evasion; Economic Factors; Political-Institutional Factors; Socio-Behavioral Factors, Firm-level Factors.

Resumo

A evasão fiscal é um tema relevante tanto no contexto das economias desenvolvidas quanto nas economias em desenvolvimento. Diversos estudos foram realizados para analisar o tema a partir de diferentes pontos de vista. Algumas dessas abordagens focam as causas fundamentais da evasão fiscal. Esta investigação tem como objetivo sintetizar os conhecimentos mais recentes sobre os determinantes da evasão fiscal, comparando e integrando as ideias de vários artigos científicos.

Esta dissertação avalia criticamente a pesquisa existente, examina a coerência dos trabalhos publicados e atualiza a literatura sobre o tema através de uma revisão sistemática da literatura. A estratégia de pesquisa baseia-se em bases de dados bibliográficas para encontrar artigos publicados em revistas acadêmicas, adequados ao contexto desta investigação. O processo de seleção incluiu a eliminação de duplicados, a leitura de resumos e a leitura completa dos artigos selecionados. Critérios de exclusão foram aplicados para refinar a pesquisa, e uma avaliação da qualidade foi realizada com base na contribuição para o conhecimento, discussão da teoria subjacente, adequação da metodologia e precisão da análise de dados. A amostra final incluiu 28 artigos. Estatísticas descritivas foram produzidas para analisar a distribuição anual dos artigos e a frequência de palavras-chave. O processo de síntese da literatura teve como objetivo integrar os artigos selecionados de forma coerente, identificando conexões e padrões dentro da literatura.

Esta dissertação fornece uma análise abrangente dos determinantes da evasão fiscal, oferecendo maior conhecimento sobre os fatores que contribuem para essa questão e sugerindo implicações para as administrações fiscais, governos e outras organizações. Em particular, os resultados sugerem a importância de reduzir a complexidade nos sistemas fiscais para fomentar a moral fiscal e combater a corrupção, especialmente em países em desenvolvimento. Também destaca o papel dos fatores regulatórios e burocráticos na influência da conformidade fiscal ao nível das empresas.

A evasão fiscal representa um desafio significativo para as economias de todo o mundo, impactando negativamente as receitas governamentais e a equidade fiscal. Nos países desenvolvidos, a evasão fiscal pode minar a confiança pública nas instituições e enfraquecer o contrato social. Nos países em desenvolvimento, onde os recursos fiscais são ainda mais críticos para o desenvolvimento econômico e social, a evasão fiscal pode

ter consequências devastadoras. Por estas razões, entender os determinantes da evasão é crucial para a formulação de políticas eficazes.

A revisão sistemática da literatura sobre evasão fiscal revela uma variedade de fatores que influenciam o comportamento de evasão fiscal. Entre os fatores mais citados estão a complexidade do sistema fiscal, as taxas de imposto, a percepção da probabilidade de detecção e punição, a moral fiscal, a corrupção, e a confiança nas instituições. Cada um desses fatores pode atuar de maneira diferente dependendo do contexto económico, social e político de um país.

A complexidade do sistema fiscal é frequentemente apontada como um dos principais fatores que contribuem para a evasão fiscal. Sistemas fiscais complicados e opacos dificultam a conformidade para os contribuintes e criam oportunidades para a evasão. Simplificar o código fiscal pode, portanto, reduzir a evasão ao tornar mais fácil e transparente o cumprimento das obrigações fiscais.

As taxas de imposto também desempenham um papel importante. Taxas de imposto elevadas podem incentivar a evasão, uma vez que os contribuintes procuram minimizar a sua carga tributária. No entanto, a relação entre taxas de imposto e evasão não é linear e pode ser moderada por outros fatores, como a eficiência da administração fiscal e a moral fiscal.

A percepção da probabilidade de detecção e punição é outro determinante crucial. Quando os contribuintes acreditam que há uma alta probabilidade de serem apanhados e penalizados por evasão, estão menos propensos a tentar evadir impostos. Portanto, fortalecer a capacidade de fiscalização e garantir a aplicação consistente das leis fiscais pode dissuadir a evasão.

A moral fiscal, ou a disposição intrínseca dos contribuintes para pagar impostos, é influenciada por fatores culturais, sociais e económicos. Alta moral fiscal está associada a menores níveis de evasão fiscal. Para melhorar a moral fiscal, é importante que os governos promovam a transparência, a justiça e a eficiência na utilização das receitas fiscais.

A corrupção e a confiança nas instituições também são determinantes importantes da evasão fiscal. Países onde a corrupção é endémica e a confiança nas instituições é baixa, os contribuintes estão mais propensos a evadir impostos. Combater a corrupção e reforçar a confiança nas instituições públicas pode, portanto, assistir no aumento do cumprimento fiscal.

Além disso, esta dissertação explora o papel dos fatores regulatórios e burocráticos na conformidade fiscal das empresas. A regulamentação excessiva e a burocracia podem aumentar os custos de conformidade e incentivar a evasão. Reformar a administração fiscal para torná-la mais eficiente e menos burocrática pode melhorar a conformidade fiscal.

Através de uma análise crítica e integrada dos estudos sobre evasão fiscal, esta dissertação oferece uma compreensão abrangente dos fatores que influenciam o incumprimento das leis fiscais. As conclusões destacam a necessidade de abordagens multifacetadas para combater a evasão, que incluem a simplificação dos sistemas fiscais, o fortalecimento da capacidade de fiscalização, a promoção da moral fiscal e a luta contra a corrupção. As implicações para as administrações fiscais e os formuladores de políticas são claras. Para reduzir a evasão fiscal, é essencial criar sistemas fiscais mais simples e transparentes, melhorar a fiscalização e a aplicação das leis, promover a justiça e a eficiência na utilização das receitas fiscais e combater a corrupção. Essas medidas podem ajudar a aumentar a conformidade fiscal e garantir que os governos tenham os recursos necessários para financiar serviços públicos essenciais e promover o desenvolvimento económico e social.

Em conclusão, esta dissertação contribui para a literatura sobre evasão fiscal ao fornecer uma análise crítica e abrangente dos determinantes da mesma. As descobertas têm importantes implicações para a formulação de políticas e oferecem *insights* valiosos para as administrações fiscais, governos e outras organizações empenhadas em combater a evasão fiscal e melhorar a conformidade fiscal.

Palavras Chave: Determinantes; Evasão Fiscal; Fatores Económicos; Fatores Político-Institucionais; Fatores Socio-Comportamentais, Fatores Empresariais.

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1. INTRODUCTION

Globalization is intricately linked with development, giving rise to circumstances that can either benefit or harm society. Within this dynamic and evolving context, a complex and demanding reality is continuously being redefined. This development, coupled with technological advancements, increasingly breaks down traditional barriers, manifesting instantaneously in society and the economy. It serves as the primary impetus behind the rapid social, political, and economic transformations that shape modern societies and the global order (Held et al, 1999).

In an environment where information is continually updated, economic actors must continually adapt. The widespread access to real-time data is now taken for granted, with its effects permeating businesses on an unprecedented scale. The pace of technological innovation, news dissemination, and market activity underscores the interconnected nature of the world. Consequently, there is not only an acceleration in economic activity but also in legislative changes. This deepening interrelationship highlights both the robustness of businesses due to limitless sales opportunities and their vulnerability stemming from reliance on external factors. The presumed equilibrium in this context hinges on the existence and enforcement of laws, particularly tax laws.

The complexity of daily operations and the evolving national and international regulations, complicated by issues like misinformation and artificial intelligence, underscores the importance of fiscal law. This complexity confirms the relevance of fiscal law, as well as the issue of tax evasion, which is a critical concern in both developed and developing nations. Tax evasion poses potentially severe consequences for economic development (Bethencourt & Kunze, 2018). Understanding tax evasion as a global phenomenon necessitates grasping its determinants—factors that precede fiscal non-compliance.

This thesis employs a systematic literature review to investigate the determinants of tax evasion. Considerable research exists on this topic, albeit approached from varying perspectives. The focus of this study is to synthesize ideas and conclusions from diverse published investigations into a comprehensive thesis that consolidates key findings. Therefore, the following questions serve as the structural foundation for this study:

- What are the primary factors identified as determinants of tax evasion?
- Which determinants exhibit consensus among different authors?
- What are the main findings reported in the literature?

- How can determinants of tax evasion be hierarchically arranged?
- Can a profile of factors that reduce the likelihood of tax evasion be delineated?

Answers to these questions will be provided through this research, drawing on recent publicly available investigations and cross-analyzing the primary ideas presented by various authors. As foundational pillars for this study, the overarching objectives include:

- Discussing relevant aspects of the literature.
- Identifying gaps to guide future empirical research.

This work aims to serve as a cornerstone for academic exploration in disciplines such as fiscal studies, accounting, law, fiscal psychology, or behavioral economics. It is expected to delve into a topic of societal relevance and contribute to the existing scientific knowledge on the determinants of tax evasion literature. Specific goals include consolidating pertinent information on the determinants of tax evasion, updating existing systematic literature reviews on related topics, compiling key references relevant to the research theme, understanding the diversity of subtopics within tax evasion studies, and identifying commonly agreed-upon determinants of tax evasion. Through these objectives, this research seeks to enhance understanding and provide valuable insights into the factors influencing tax evasion behavior, thus contributing to the broader academic discourse in the mentioned disciplines.

The findings of this thesis identify four primary groups of tax evasion determinants: economic, political-institutional, socio-behavioral, and firm-level factors. The analysis highlights that a more liberal economy, characterized by lower tax complexity and a more competitive fiscal system, tends to reduce tax evasion. Additionally, higher audit rates and the increased cost of penalties, such as fines, deter economic agents from engaging in tax evasion. Furthermore, strong tax morale and a sense of belonging to a larger community significantly contribute to higher compliance. Finally, the size of a company and its business sector are also crucial determinants of tax evasion behavior.

The remainder of this thesis is organized as follows. Chapter 2 presents the theoretical framework of the work and highlights numerous relevant subtopics pertinent to the tax evasion theme, narrowing the scope and introducing secondary topics related to the latter reviewed literature. Chapter 3 describes the methodology explaining the

procedures used for the detailing of the criteria that narrow the sample of studies, the databases, and the excluding criteria. Chapter 4 discusses the main results of this thesis, with a special focus on the description of the selected studies and the definition of the most prominent determinants according to the authors. Finally, chapter 5 concludes by synthesizing the findings and identifying the possible gaps for future empirical research.

2. THEORETICAL FRAMEWORK

2.1 Contextualization of Tax Evasion

2.1.1 Tax Compliance

An in-depth analysis of exceptional behavior must start by establishing a solid understanding of the standard norm. When considering the question of what factors determine tax evasion, it is crucial to have a clear grasp of tax compliance.

To lay the groundwork for understanding compliance, it is essential to define it. Tax compliance refers to taxpayers' willingness to adhere to tax regulations (Andreoni et al., 1998), encompassing the timely submission and payment of all fiscal obligations. To quantify this willingness within a measurable framework, researchers point to the tax gap, which represents the disparity between owed income taxes (both corporate and household) and what taxpayers report and voluntarily pay (Andreoni et al., 1998; James & Alley, 2009).

However, while measuring tax obligations in absolute or relative terms is informative, it can oversimplify matters by overlooking aspects of motivation and cooperation crucial for economic functioning. Researchers question whether compliance arises from voluntary behavior or compulsory motives (James & Alley, 2009). If compliance stems solely from fear of enforcement mechanisms, it signifies behavior driven by apprehension, suggesting that weakening enforcement could lead to increased noncompliance. Furthermore, historically favoring civil penalties over criminal sanctions has undermined tax entities and laws. Allowing contentious violations to be sanctioned merely with fines has fostered deep-seated skepticism and general disrespect for the law, a situation that could take years to rectify (Devos, 2004). Moreover, an intrusive tax regime can diminish taxpayers' willingness to engage in productive or commercial activities. This reluctance stems not only from increased tax liabilities but also from

burdensome administrative requirements or the risk of severe penalties (James & Alley, 2009).

In light of these considerations, maintaining a functional tax system necessitates a delicate balance. This balance entails fostering a productive economy, implementing a vigilant deterrence system against noncompliance, and designing structures that motivate taxpayers to comply willingly. Countries adopt various strategies tailored to their evolving contexts, resulting in varying levels of tax revenue generation.

2.1.2 Tax Competitiveness

The compliance with tax payments is influenced by various factors, many of which are shaped by fiscal circumstances such as the complexity of laws or tax rates. This can lead taxpayers to fulfill their obligations where it is most convenient, as a competitive fiscal environment fosters a landscape where businesses and individuals can thrive. However, a fiscal environment with significantly lower taxation compared to competing regions or countries may lead to irregularities, exacerbating socioeconomic inequality, particularly in terms of tax income and wealth redistribution.

When assessing the competitiveness of a region or country, it is crucial to consider tax rates and tax revenue. One perspective posits that changes in tax rates affect tax competitiveness, impacting the amount of corporate tax revenue generated. Studies show that a reduction in tax rates in European countries resulted in increased tax income during the studied period (Helcmanovská et al., 2021). This raises the question of whether a more dynamic economy leads to higher tax income compared to a more restrictive tax environment.

To illustrate this in a specific country context, for instance, Slovakia and foreign direct investment, studies conclude that tax amounts play a significant role in determining which country attracts investment (Andrejovska & Glova, 2022). Moreover, investors tend to favor countries with lower taxation for their investments. Similarly, when examining Serbia's tax competitiveness as a key factor in attracting foreign investment, researchers note that Serbia is on par with many Eastern European countries in terms of competitiveness and attractiveness of its tax system (Marjanović and Domazet, 2021). The same authors also emphasize that a competitive tax environment should be straightforward, transparent, and aligned with international standards to entice foreign investors.

Despite tax competition often being viewed positively for increasing tax income, considerations must be made regarding tax evasion when promoting foreign direct investment through tax incentives. Research suggests that non-tax measures should be integrated to prevent revenue loss, with a robust monitoring and evaluation system in place (Gasparyniene et al., 2022).

As part of a competitive economic landscape, stakeholders must adapt to changing circumstances, which may involve lowering tax rates or offering non-tax incentives for investment. Consequently, profit shifting by companies or taxpayers to regions or countries with lower taxation or tax exemptions can occur. Profit shifting to foreign affiliates is a genuine concern, but measures such as increasing tax loss deductibility and strengthening anti-avoidance rules can mitigate this (Alexander et al., 2020).

While a combination of competitive tax rates, non-tax incentives, fair loss deductions, and strict profit shifting oversight aims to address tax avoidance and evasion, these challenges persist. There are jurisdictions where tax rates are significantly lower and fiscal conditions are more favorable for tax earnings, resulting in potential untaxed profits for countries.

2.1.3 Tax Avoidance

The absence of tax payment can manifest in various forms, complicating efforts to define and quantify the exact amount of untaxed profits. Research underscores three common tax avoidance strategies: shifting taxable income to jurisdictions with lower tax rates, reducing the domestic tax base, or employing a combination of both approaches. According to the authors, the first strategy involves transferring profits to regions where tax rates are lower than those in the company's operating jurisdiction, often achieved through establishing affiliate companies in low-tax territories or implementing transfer pricing schemes (Lampenius et al., 2021). The second strategy exploits legal mechanisms such as depreciation, tax credits, and tax deferral to diminish the taxable base.

Tax avoidance issues arise due to various factors, including company-related governance and contextual conditions. Equity incentives that promote risk-taking are positively associated with tax avoidance, suggesting that more aggressive performance strategies can drive tax avoidance beyond shareholders' desired levels (Armstrong et al., 2015). Moreover, managers' engagement in tax avoidance reflects their assessment of personal costs and benefits. Contextually, after the mandatory adoption of International

Financial Reporting Standards (IFRS), companies became more inclined toward tax avoidance, even with constant conformity between reported earnings and taxable income. Additionally, the increase in tax avoidance is attributed partly to accruals management practices and operational shifts to tax havens or subsidiaries in low-tax jurisdictions (Braga, 2017).

To address these situations, governments have implemented stringent anti-avoidance measures aimed at increasing tax revenue. Since 2000, the United States Treasury has initiated regulations mandating the disclosure of corporate transactions involving tax havens. This definition initially encompassed specified transactions conducted in jurisdictions with lower tax burdens, transactions lacking "economic substance," and other "tax-structured" transactions. A transaction lacks economic substance when the expected pre-tax profits of the participants are minimal compared to the tax savings achieved. A tax-structured transaction is one where tax savings are a primary motivation or outcome of the transaction (Warren, 2004).

These transactions can be complex, employing innovative financial instruments and multinational schemes. However, proving wrongdoing can be challenging for tax authorities due to the presumption of innocence. In cases like Spain and Chile, the burden of proof falls on tax authorities to demonstrate company misconduct (Toledo-Zúñiga, 2023), often a daunting task given the legal departments' efforts to justify transactions thoroughly.

2.1.4 Tax Evasion

The distinction between tax avoidance and tax evasion is clear-cut. "Tax avoidance entails complying with the principle of legality from a formal perspective but infringing it from a substantive perspective" (Toledo-Zúñiga, 2023), whereas tax evasion entails outright breach of existing legislation or, simply putting, "Tax evasion is a violation of the tax code" (Di Nola, et al, 2021). Tax evasion is a multifaceted issue that has persisted over millennia and can be examined through various lenses. Studies have explored its detection, impact, determinants, ethics, measurement, comparison, reduction, sanctioning, and other related aspects. There is a prevailing notion among taxpayers that tax enforcement authorities cannot scrutinize 100% of transactions due to limited resources, creating opportunities for tax evasion to occur (Irawan & Utama, 2021). The concept of monitoring and oversight of transactions by tax authorities has expanded with

the digitization of processes, yet absolute control remains elusive. For instance, in Slovakia, the effectiveness of Value Added Tax controls is currently only 71.1% (Víghová, 2022). Tax evasion is driven by numerous motivations, influenced by various contextual and circumstantial determinants, which are the focus of the present thesis.

Another perspective on tax evasion involves examining the ethical dimensions of the perpetrators' behavior. This analysis can be conducted through case studies or surveys. Research findings indicate that a significant portion of respondents (54.7%) justify tax evasion to some degree (McGee & Shopovski, 2018), suggesting varying levels of tolerance towards illegal behavior and the effectiveness of deterrence measures. McGee & Shopovski, (2018) propose incentivizing compliant behavior to promote voluntary tax compliance, given the limited resources available to tax authorities for scrutinizing all transactions.

While tax evasion has been shown to negatively correlate with economic growth (Crane and Nourzad, 1986), complete eradication is unlikely. However, reducing its incidence remains a feasible goal (Ngah et al, 2021). On a related note, research has shown that the relative size of the shadow economy decreases as gross domestic product (GDP) increases across 162 countries (Schneider, Buehn, & Montenegro, 2011). This finding is consistent with the observation that tax evasion tends to be more prevalent in developing nations compared to developed ones, where higher GDP per capita is indicative of lower tax evasion rates (Bethencourt and Kunze, 2018). Consequently, it can be inferred that tax evasion declines with increasing income per capita. Some studies suggest that an effective tax enforcement system, coupled with redistributing additional tax revenue, could lead to reduced taxes and increased welfare and productivity, particularly among American households (Di Nola et al., 2021). Furthermore, these authors suggest that increasing penalties for tax evasion could be economically beneficial up to a certain threshold.

The link between public economics and tax evasion is evident because the welfare of the population depends on public services funded by tax revenues. Overall, compliance with tax codes fosters a fairer and more competitive economy, primarily through income redistribution. Consequently, the relationship to income is established, and various factors influence tax evasion. Delving deeper, research indicates that aggregate income tax evasion, in both absolute and relative terms, correlates positively with the inflation rate (Crane and Nourzad, 1986). Additionally, aggregate evasion tends to increase with higher marginal tax rates but decreases with increased detection probability, penalty rates, and

the share of income derived from wages. Dzhumashev et al. (2023) emphasize that reducing tax evasion cannot be achieved solely by targeting it as an isolated issue. Their findings suggest that the effectiveness of optimal tax enforcement measures (such as audit intensity and fines) depends on the quality of institutions and the productivity impact of public sector inputs. Therefore, significantly improving tax enforcement is contingent upon enhancing the broader institutional framework.

It is reasonable to conclude that an efficient system for detection, comprehension, and penalization, coupled with appropriate incentives, results in reduced tax evasion, fostering a fairer environment for companies and individuals to thrive. While mitigating tax evasion is essential, preventing it may prove more effective than relying solely on enforcement mechanisms. This raises questions about the causality of tax evasion, emphasizing the need to study its determinants to understand what drives violations of tax laws.

3. METHODOLOGY

3.1 The Pillars of a Systematic Literature Review

There is widespread acknowledgment of the importance of conducting a literature review to attain a thorough and comprehensive understanding of a research topic. Accordingly, the present literature review follows the model proposed by Tranfield et al. (2003), employing a transparent methodology to identify, select, and evaluate relevant research pertinent to the topic under investigation. A notable advantage of this approach is its clarity, ensuring that another researcher following the same procedures could arrive at similar conclusions.

This review process aids researchers in developing a deeper understanding of the subject matter and appropriately situating it within its context. It facilitates an exploration of past research, how various authors arrived at their conclusions, and the central issues surrounding the topic. The findings of research are pivotal components of any empirical study. Therefore, generating new knowledge in the field is essential for the research to fulfill its objectives. Questions regarding the comprehensiveness of the objectives and the impartiality of the review process are also subjects of debate within the research community. As Hart (1998) phrases,

“all reviews, irrespective of the topic, are written from a particular perspective or standpoint of the reviewer. This perspective often originates from the school of thought, vocation or ideological standpoint in which the reviewer implies a particular reader. Reviewers usually write with a particular kind of reader in mind: a reader they might want to influence.”

Considering the inclination to personalize reviews, researchers should nonetheless maintain their independence and strive to conduct their work with as little bias as possible. Since other researchers may use the review as a foundation for their own studies, a biased perspective could diminish the relevance of the research. Therefore, quality in the context of a literature review entails employing ideas to justify a particular approach to a topic, outlining methods, and highlighting the novelty that the research contributes to the academic community (Tranfield et al., 2003).

3.2 Systematic Review Aims

The aim of this thesis is to synthesize the latest research findings on the determinants of tax evasion, comparing and integrating the ideas of various authors. Given the existing body of research on this topic, the thesis focuses on refreshing, updating, and critically analyzing previous investigations. The specific objectives of this study are as follows:

- To critically assess the existing research and its connections to related areas in the literature.
- To evaluate the coherence and development of ideas presented in published works on the topic.
- To comprehend the existing literature and examine its alignment, support, or contradictions with my research.
- To identify potential gaps in research and formulate new research questions.

This thesis endeavors to contribute to the ongoing scholarly discourse by synthesizing and analyzing existing knowledge on tax evasion determinants while identifying areas for further exploration and inquiry.

3.3 Systematic Review process

3.3.1 Panel of Consultants

The current thesis has been enriched by the collaboration of two Professors with diverse backgrounds, who have provided invaluable and constructive feedback. The thesis panel consists of:

- Professor Pedro Silva is an Invited Assistant Professor at the Faculty of Economics, University of Algarve and a chartered auditor with more than twenty years of experience on private and public sector entities. Professor Silva holds a Master of Science (MSc) degree in Corporate Finance from the University of Algarve, a Specialist Title on Financial Audit from Polytechnic Institute of Lisbon (ISCAL) and a Specialist Title on Statutory Audit by the Institute of Statutory Auditors (OROC). His academic and professional pursuits converge in his primary interests, which span the domains of audit, accounting, and taxation.
- Professor Rúben Peixinho is an Assistant Professor and the Director of the Master's Course in Accounting at the Faculty of Economics, University of Algarve. He is also a member of the Center for Studies and Advanced Training in Management and Economics (CEFAGE). Professor Peixinho holds a Master of Science (MSc) degree in Corporate Finance from the University of Algarve, an MSc in Management Research from Cranfield University, and a Doctorate of Philosophy (PhD) in Management specializing in Accounting and Finance from the University of Edinburgh. His primary research interests include market-based accounting research, financial distress, security analysis, financial performance, and costing systems.

Professor Pedro Silva provided valuable insights on themes related to tax evasion through his lectures, meetings, and annotations. This work benefited significantly from his perspectives on fiscal matters, economics, and a pragmatic worldview. Professor Rúben Peixinho contributed insights on formal aspects. Many of his recommendations and constructive suggestions structured this thesis. Additionally, he provided positive feedback to enhance the theoretical aspects of the review.

3.3.2 Search Strategy

To achieve a well-founded systematic review, the search strategy must be clear and comprehensive. The strategy employed in this study consists of a two-step process. The first step involves reviewing titles and abstracts of articles identified through digital databases. The second step involves reading the full papers of selected articles. The chosen databases are limited to journal articles, as they represent one of the most respected and peer-reviewed forms of academic research. Given the credibility of these articles, they serve as primary sources for doctoral studies and are therefore appropriate and reliable for this investigation purposes.

3.3.3 Keywords and search strings

The systematic search implemented in this thesis is structured around a set of keywords, which are organized into search strings. These keywords were identified within the theoretical framework discussed in the previous chapter and were chosen based on their relevance to the main research question of this study. Table 3.1 presents the selected keywords, arranged according to the relevance to the thesis' topic.

Table 3.1 – Keyword revision

Subject	Keywords
Determinants of tax evasion	Determinant* Factor*
Tax Evasion	Tax evasion Fiscal evasion Fraud Noncompliance

Source: Author's own elaboration

The search string used in this study consists of the selected keywords and was employed as follows for the database search. Boolean operators ("and" and "or") were utilized to refine the sample size:

Determinant* **OR** Factor*

AND

Tax evasion **OR** Fiscal evasion **OR** Fraud **OR** Noncompliance

The search string uses the keywords “determinant” OR “factor” to look for the predecessors of the following keywords: Tax evasion OR Fiscal evasion OR Fraud OR Noncompliance. The combination of these, delivers the first pool of results. The specified search string is employed within selected databases to search for titles and abstracts of academic papers and published investigations. This search string encapsulates and emphasizes the key points covered in these studies. By searching for this string in titles and abstracts, a database of findings can be compiled, serving as the initial stage for the exclusion process in the review.

3.3.4 Database search

Several databases serve as foundational resources for conducting the literature review. Due to the presence of duplicate articles across multiple databases, a focused selection was made, resulting in the use of the following databases:

- A) Web of Science
- B) Science Direct (Elsevier)
- C) SCOPUS

These databases are utilized globally and encompass numerous published works from various regions worldwide. When analyzing an article, there is typically information indicating the publication source. This allows for sorting of information based on criteria specific to academic journals.

3.3.5 Other information sources

Given that the systematic review relies primarily on published sources, additional information used in this investigation cannot be fully considered but is used sparingly. Nonetheless, these alternative sources were instrumental in providing context and background on various topics. They include conference papers, unpublished dissertations, and thesis, selected based on their relevance to tax evasion or related concepts. These sources were accessed online, notably through Google Scholar and *Repositórios Científicos de Acesso Aberto de Portugal*.

3.4 Selection criteria

Applying exclusion criteria is essential to ensure that only relevant papers extracted using the search string are considered for this research. Because the databases are exclusively academic, only scholarly articles will be included. Furthermore, as the primary objective is to conduct a systematic review, only open access papers will be considered.

Given the use of multiple databases in the search, duplicates in the results are expected. To address this, exclusion criteria will be applied to remove duplicate studies. Moreover, additional criteria will be employed to further refine the results, based on the examination of titles and abstracts. Finally, the last phase of selection will determine the final pool of articles based on a full reading of the selected papers.

3.4.1 Elimination of duplications

To eliminate duplicate findings within the databases, the implemented system involves several steps. The first step is to compile a list of outputs obtained from each search string across different databases, as these databases typically aggregate published works from common sources such as scientific journals, universities, institutes, and similar sources. Next, organize the titles in alphabetical order, and finally, remove all duplicate papers from the list.

3.4.2 Exclusion criteria based on the reading of titles and abstracts

After compiling the list of outputs with duplicates eliminated in the initial selection criteria, the next step involves excluding investigations that are outside the scope of the study. The primary objective of this step is to refine the list by removing papers that, for various reasons, do not align with the focus of this thesis. Table 3.2 presents the exclusion criteria based on the examination of titles and abstracts, along with the corresponding rationale. Two main different criteria are presented to narrow down the pool of usable papers for further refinement in the next step.

Table 3.2 – Exclusion criteria

Criteria		Rationale
1. Studies that mention the defined keywords as residual issues or in other contexts than accounting and finance		The combination of certain keywords can lead the search to articles in other areas than accounting or papers that mention the defined keywords as secondary topics. The results in such cases will be excluded.
2. Insufficient relation to be considered in the refined scope defined for the systematic review	2.1 Tax evasion topics not related to the study of its determinants	There are several topics around tax evasion that take on other subjects than its determinants. Since the focus of the investigation revolves around determinants, they will be excluded.
	2.2 Studies that focus on the consequences of tax evasion	The aim of this work is to focus on the determinants that lead to tax evasion. There can be some confusion in the keywords since tax evasion can be studied both as a consequence or a cause. The results that focus on the latter will be excluded.
	2.3 Studies that focus on the prevention tax evasion	Analyzing what causes tax evasion will agglutinate results on how to prevent tax evasion. Results that focus on this and study determinants as a secondary topic will be excluded.
	2.4 Other reasons	Thousands of studies related to tax evasion were found in the database research. Many cover a broad scope analysis of the theme, not focusing exclusively on the determinants and were, therefore, excluded.

Source: Author's own elaboration

3.4.3 Exclusion criteria based on the reading of full text papers

This step involves reading the full-text papers, analyzing them, and deciding whether to eliminate them from the review based on selected criteria. To be retained for the subsequent refining stage, papers must meet the following criteria:

For Theoretical and Methodological papers:

- Clear description of the research problem;
- Comprehensive literature review on the subject matter;
- Connection of the theoretical model with previous academic works;
- Solid description of the theoretical model;
- Discussion of the theoretical model's main contributions and innovations compared to previous models;
- Implications for tax administrations, governments, and other organizations;

For Empirical papers:

- Literature review as the foundation for the research questions;
- Explanation of the study hypotheses or research questions;
- Description of the empirical research methodology;
- Detailed explanation of the sample and variables;
- Discussion of the results;
- Interpretation of results and objective conclusions related to the studied topic.

3.4.4 Exclusion criteria based on quality assessment

The final step in the refining process involves evaluating the quality of the collected papers that have passed the prior selection criteria. The studies that have successfully navigated through the elimination of duplicates, reading of titles and abstracts, and examination of full texts will be assessed against the quality criteria outlined in Table 3.3. The model proposed by Marcos (2002) encompasses four distinct quality criteria:

- Contribution to knowledge
- Discussion of underlying theory
- Appropriateness of the methodology
- Accuracy and thoroughness of data analysis

Each criterion is evaluated on a numerical scale ranging from zero (absent) to three (high), with intermediate levels of one (low) and two (medium). Papers scoring below two on at least two criteria are excluded from the final pool.

Table 3.3 – Quality assessment criteria

Elements to consider	Level				
	0 - Absence	1 - Low	2 - Medium	3 - High	Not applicable
Contribution	The article does not provide enough information to assess this criteria	The paper adds little to the body of knowledge in this area	Contribution to knowledge is trivial in importance and significance	Significant addition to current knowledge; Fill an important theory gap	This element is not applicable to this paper
Theory	The article does not provide enough information to assess this criteria	Literature review is inadequate; Failure to motivate study with practical implications; No underlying economic story	Theoretical base is acceptable; Having practical rationales for study in some extent	Excellent review of prior literature; Strong theoretical basis; Study has important implications for practitioners	This element is not applicable to this paper

Methodology	The article does not provide enough information to assess this criteria	The idea of study is poorly executed; Inappropriate quantitative methods; Failure to justify proxies for economic variables	Justified research design; Acceptable proxies for economic variables; The idea of study is not fully executed	Research design adequately examine the theoretical argument; Proxies are adequately defined	This element is not applicable to this paper
Data Analysis	The article does not provide enough information to assess this criteria	Data sample insufficiency. Weak connection between statistical results and economic story; Inconclusive statistics	Appropriate data sample. Statistical results relates to economic story; Adequate statistics but inadequate explanation	Adequate data sample; Statistical results support theoretical arguments; Well explained statistics; Include limitation analysis	This element is not applicable to this paper

Source: Marcos, 2002

3.5 Data extraction process

The studies that have met all the requirements of the prior exclusion criteria are included in the final sample to be used as references for the literature review. For each of these papers, a data extraction form was created to compile the most relevant information for the review. An example of a data extraction form is presented in Table 3.4.

Details such as author, title, journal, date of publication, abstract, and keywords were manually inputted into a spreadsheet after excluding studies based on their title and abstract. The primary objective of this exercise was to take notes while progressing through the subsequent stages of reading the full texts and conducting quality assessment. Any information not available in the databases, such as quantification of the quality assessment and summary of the main findings, was manually typed in, as these details are contingent upon the judgment of the thesis's author.

Table 3.4 – Article summary example

Article - 6	
Author Name:	Grant Richardson
Article Title:	Determinants of tax evasion: A cross-country investigation
Journal Title:	Journal of International Accounting, Auditing and Taxation
Author Affiliation:	City University of Hong Kong
Publication Date:	2006
Volume:	15
Page Numbers:	150–169
Research Category:	Empirical
Study Location:	Hong Kong
Abstract:	<p>The purpose of this study is to expand on the work of Riahi-Belkaoui [Riahi-Belkaoui, A. (2004). Relationship between tax compliance internationally and selected determinants of tax morale. <i>Journal of International Accounting, Auditing and Taxation</i>, 13, 135–143] and systematically investigate, on a cross-country basis, many of the key determinants of tax evasion identified by Jackson and Milliron [Jackson, B. R., & Milliron, V. C. (1986). Tax compliance research: findings, problems and prospects. <i>Journal of Accounting Literature</i>, 5, 125–165]. Based on data for 45 countries, the results of the OLS regression analysis show that non-economic determinants have the strongest impact on tax evasion. Specifically, complexity is the most important determinant of tax evasion. Other important determinants of tax evasion are education, income source, fairness, and tax morale. Overall, the regression results indicate that the lower the level of complexity and the higher the level of general education, services income source, fairness, and tax morale, the lower is the level of tax evasion across countries. These findings remain robust to a broad range of cross-country control variables, an alternative tax evasion measure and various interactions.</p>
Keywords:	Tax evasion; Complexity; Education; Income source; Fairness; Tax morale
Objective:	Expand the work previously done on the determinants of tax evasion
Methodology:	Conduct a regression analysis on a sample of 45 countries different in terms of development, language, culture, and geography to expand the findings on the determinants of tax evasion
Findings:	<ul style="list-style-type: none"> • There are several determinants that impact tax evasion • The lower the level of complexity and the higher the level of general education, services, income source, fairness and tax morale, the lower is the level of tax evasion across countries. • Findings remain robust to a broad range of cross-country control variables, an alternative tax evasion measure and various interactions.

Limitations:	Data unavailability, other potential tax evasion determinants such as occupation status, sanctions, probability of detection and compliant peers are not included, so the results might reflect omitted variable bias. Second, the sample size of 45 countries is relatively small, which means that the findings may not be generalizable. tax evasion is measured using subjective survey ratings, which raises concerns about its reliability because it could be prone to measurement error. Data are averaged over several years to minimize the possibility of measurement error. Fourth, using survey data measures for some of the independent and control variables raises additional concerns about measurement error. Data are collected from reputable sources and averaged data measures are used for the independent and control variables
Further Research:	First, variables relating to sanctions, probability of detection and compliant peers might be analyzed, subject to the availability of reliable cross-country data. Second, increased country sample sizes might enhance cross-country comparisons and the generalizability of findings. Third, improved survey measures of tax evasion and various explanatory variables (e.g., complexity, education, and fairness) could improve the reliability of the empirical results and reduce further the risk of measurement error. Finally, a greater longitudinal emphasis could be undertaken to examine the impact of changes in the key determinants and other important variables on changes in tax evasion levels.
Practical Implications:	Implications for governments that seek to reduce the level of tax evasion in society. A simpler tax system can reduce tax evasion. Moreover, general education is negatively associated with tax evasion. Wage and salary income subject to withholding (e.g., services employment income) is another important curb on tax evasion. In addition, perceptions that tax policy is fair are associated with reduced levels of tax evasion. Finally, where tax morale is high, lower levels of tax evasion can be expected.
Related papers:	Riahi-Belkaiou, A. (2004) and Jackson, B. R., & Milliron, V. C. (1986)
Location of item:	C:\Users\Gonçalo\Desktop\UALG\14. Dissertação\3.Artigos Resultados

Source: Author's own elaboration

3.6 Literature synthesis process

The final step in this systematic review involves integrating the selected articles refined through the prior steps into a coherent whole. This process is crucial for identifying connections and patterns within the literature and gaining a comprehensive understanding of the research topic. Additionally, it aids in narrowing the initial research field and clearly identifying gaps in the literature, which can guide future research endeavors.

The main structure of the present thesis will commence with a review of the literature on tax evasion determinants. This will serve as a foundational step to delineate the main categories of tax evasion determinants. Subsequently, each designated category will undergo intensive analysis to establish connections with existing theories or

challenge conventional norms by contrasting ideas presented in published works on the topic. Within the selected sample, connections and relationships will be identified, enabling critical examination and interpretation of issues such as evolution over time, characteristics of the socio-political landscape, economic specifications, methodological frameworks, and country-specific trends.

The main findings and theoretical basis of the selected literature are critically examined and reviewed in light of the following questions:

- How does previous literature define the determinants of tax evasion?
- How do different studies categorize the determinants of tax evasion?
- Are there relationships between the different viewpoints?
- What are the existing theories for each category of determinants?
- What opposing ideas exist within each category of determinants?
- What suggestions do different studies offer for reducing tax evasion?
- How can this thesis contribute to a better understanding of the research question?

This section outlines the methodology employed for conducting this systematic review. The subsequent chapter presents a descriptive analysis of the selected papers and reports the results through thematic analysis. Finally, the main ideas will be discussed in accordance with the guiding questions.

4. RESULTS

The initial stage of the selection process involves searching for papers in the databases based on the chosen search criteria. Table 4.1 displays the number of papers identified in the specified databases.

Table 4.1 – Results summary

Search String	Science Direct	Web of Science	Scopus	Total
Direct Results	1049	199	302	1550
Academic Publications	146	59	79	284

Source: Author’s own elaboration

After applying the specified criteria, the final sample comprised 28 articles. Upon interpreting each article and completing the inclusion of all details in the data extraction form, it was observed that several articles were repeatedly referenced and therefore not initially included in the sample. These articles were subsequently added as cross-

referenced studies to enhance and substantiate the findings. Table 4.2 highlights the application of the exclusion criteria towards the final sample.

Table 4.2 – Application of the exclusion criteria

Documents from all sources	1550
Non-academic sources	-1266
Academic publications	284
Duplications	-45
Academic papers after duplication removal	239
Papers excluded based on criterion 1	-166
Papers excluded based on criterion 2.1	-36
Papers excluded based on criterion 2.2	-3
Papers excluded based on criterion 2.3	-6
Papers excluded based on criterion 2.4	0
Papers excluded based on the reading of full text	-2
Papers excluded based on quality criteria	0
Papers selected based on the methodology	26
Papers included based on the cross-references	2
Final sample of papers for the systematic review	28

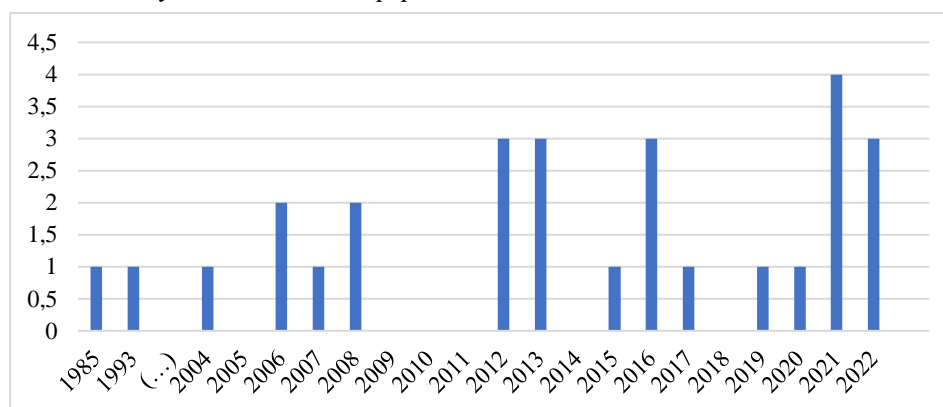
Source: Author's own elaboration

4.1 Descriptive Analysis

To enhance the understanding of the results, descriptive statistics were employed.

Figure 4.1 illustrates the yearly distribution of the papers.

Figure 4.1 – Yearly distribution of the papers



Source: Author's own elaboration

As observed, there is a substantial concentration of the sample in the last decade, indicating that the study of tax evasion determinants is a growing area of interest. However, two articles date back 20 years, highlighting that this topic has been relevant for an extended period and suggesting potential for a longitudinal study.

Table 4.3 – Scientific journal summary

Name	Nr.	SJR
Journal of International Accounting, Auditing and Taxation	4	0.597
Procedia Economics and Finance	2	0.600*
Crime Law and Social Change	1	0.331
International Journal of Entrepreneurship and Small Business	1	0.272
Acta Universitatis Agriculturae et Silviculturae Mendelianae Brunensis	1	0.181
International Business and Management	1	0.158
Fudan Journal of the Humanities and Social Sciences	1	0.583
Journal of Policy Modeling	1	1.125
Review of Accounting and Finance	1	0.552
Universal Journal of Accounting and Finance	1	N/A
Journal of Innovation and Entrepreneurship	1	0.895
Bulletin of Applied Economics	1	0.385
Revista de Metodos Cuantitativos para la Economia y la Empresa	1	0.157
Economic Systems	1	0.701
Behavioral Sciences and the Law	1	0.468
Gadjah Mada International Journal of Business	1	0.238
American Journal of Economics and Sociology	1	0.253
Journal of Economic Psychology	1	1.404
International tax and Public Finance	1	0.568
European Journal of Sustainable Development	1	N/A
Tobacco Control	1	1.654
Review of Economic Perspectives	1	0.220
International tax and Public Finance	1	0.568
Economic Research-Ekonomska Istraživanja	1	0.830

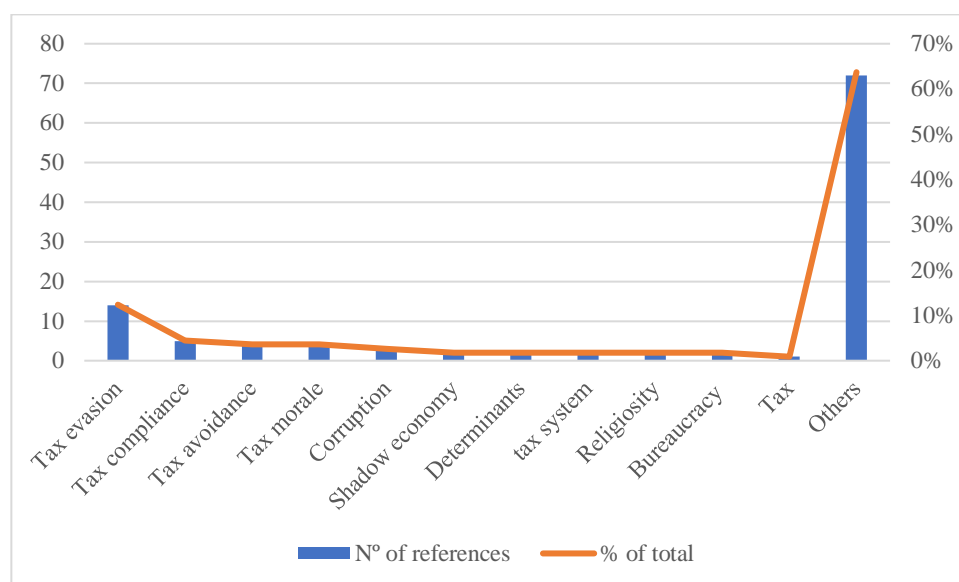
* Last available data from 2017 – journal discontinued after that year

Source: Author's own elaboration

The journals in which the articles were published were also reviewed and analyzed using descriptive statistics. Table 4.3 provides insights on the results. The distribution of the 28 articles across 24 different journals reflects a broad geographic distribution and covers several specialty topics. The most frequently appearing journal was the Journal of International Accounting, Auditing, and Taxation, which ranked 3rd in the ABS 2021 ranking and is classified as Q2 in the field of Accounting. Additionally, each journal is

accompanied by the SJR impact factor, a metric that quantifies the scientific impact of journals by considering both the number of citations they receive and the prestige of the citing journals. This metric assesses the scientific influence of the average article in a journal, indicating its significance within the global scientific discourse.

Figure 4.2 – Keyword frequency analysis



Source: Author's own elaboration

Figure 4.2 presents the distribution of articles' keywords as the final component analyzed through descriptive statistics. With a total of 113 entries, the most frequent keyword was overwhelmingly "tax evasion" (appearing in 14 articles). Analyzing the percentage of total keywords provides further insights. Despite some elements of the search string being reflected as the most frequently mentioned article keywords, 64% of the keywords appeared only once. It is logical to assume that while the determinants of tax evasion remain the primary focus, other secondary topics are also explored, possibly in new and exploratory studies.

4.2 Discussion of the results

To understand the causes of tax evasion, it is crucial to assess its underlying motivations. By comprehending these behaviors, prevention becomes more attainable. Various studies have explored the factors influencing tax evasion, analyzing numerous variables and their connections to this phenomenon. Significant associations have been found, though their visibility varies. Jackson and Milliron (1986) examined taxpayer

compliance across three main aspects: (1) the relationship between taxpayer compliance and fourteen frequently mentioned compliance variables; (2) methodological issues related to the four main research methods in the tax compliance field; and (3) four theoretical areas with potential relevance for future tax compliance research. Other research highlights additional relevant factors such as the cost of compliance, the influence of tax preparers, the framing of tax decisions, and positive inducements (Allingham and Sandmo, 1972). Recent findings suggest that tax compliance may also be influenced by factors like competition laws, economic freedom, the significance of the equity market, and the rate of serious crimes per 100,000 inhabitants (Riahi-Belkaoui, 2004).

To better understand these various variables, they have been categorized differently. Kong and Wang (2014) suggest splitting tax evasion determinants into three factors: economic, demographic, and behavioral. Other researchers propose a more detailed division into four categories: demographic, cultural and behavioral, legal and institutional, and economic (Khlif and Achek, 2015). Oliveira (2022) further categorizes these factors into demographic, economic, social, and political, institutional, and behavioral factors. Demographic determinants include age, gender, and education (Jackson and Milliron, 1986). Cultural categories encompass variables such as uncertainty avoidance, individualism, masculinity, and power distance (Tsakumis et al., 2007; Richardson, 2008). Economic determinants involve factors like income level, sources of income, marginal tax rate, punishment amount, and inspection rate. Behavioral factors include perceptions of fairness, tax system complexity, understanding of tax authorities, social customs, and tax morale (Kong and Wang, 2014).

Research on these categories reinforces their relevance and warrants further investigation. While economic, cultural, and demographic factors are often coherently addressed, differences arise in the treatment of institutional, political, and behavioral factors, which may be combined or studied separately. Studying these aspects enriches the literature on tax evasion, aiding stakeholders in making informed decisions. The relationships and debates surrounding different variables provide ongoing opportunities for new research approaches. This chapter compiles and examines various studies, aiming to provide a clear literature review for future tax evasion investigations. The results, derived from analyzing multiple papers and their findings, are consolidated into content tables segmented into four categories of tax evasion determinants. Only statistically

significant results are included in the analysis. Each category will be thoroughly examined in this section of the chapter.

4.2.1 Economical Determinants

Tax Rate

Several elements contribute to the economic factors of tax evasion, with the tax rate being the most frequent and widely acknowledged determinant. The tax rate, representing the percentage of tax applied to the earnings of companies and individuals in a specific territory, is a significant factor in tax nonconformity (Cebula & Feige, 2012; Yalama & Gumus, 2013; Athanasios et al., 2021; Riahi-Belkaoui, 2004; Gashi & Kukaj, 2016). Higher tax rates are associated with increased levels of tax evasion, establishing a positive relationship between the two. Higher tax rates reduce earnings, prompting companies to evade taxes to improve their financial results. This also applies at the household level, where individuals might engage in illegitimate behaviors to counteract high tax rates. Higher incomes lead to higher tax brackets, resulting in a higher percentage of taxes due (Cebula, 2013). Lower-income taxpayers, on the other hand, tend to show lower compliance, likely hiding their income to avoid paying taxes (Yalama & Gumus, 2013).

Real Income

In line with this, real income is identified as another significant determinant of tax evasion, though it exhibits a negative relationship and is observed only at the household level. Real income, defined as the earnings of individuals adjusted for inflation, is associated with lower levels of tax evasion (Cebula & Feige, 2012; Yalama & Gumus, 2013; Neck et al., 2012; Riahi-Belkaoui, 2004). As real income increases, the risk-benefit dilemma shifts, with the risk of engaging in tax evasion outweighing the potential benefits, leading to higher compliance.

Interest Rate

Another component associated with higher income is the interest rate. Defined as the amount of interest due per period as a proportion of the borrowed amount, lower interest rates are linked to greater tax compliance for both companies and individuals (Cebula & Feige, 2012; Cebula, 2013). As interest rates increase, the opportunity costs of

income tax compliance also rise, making it more advantageous to not report or underreport income, as purchasing power decreases (Cebula & Feige, 2012). For companies, higher costs of loans, materials, and labor lead to declining profits, which can incentivize irregularities to maintain earnings. This is also true for households, where higher living costs increase the likelihood of tax evasion (Kim, 2008). As interest rates rise, any unreported income yields a higher return than before, further encouraging non-compliance (Cebula & Feige, 2012).

Unemployment Rate

Nonconformity with the tax code isn't limited to companies; individuals and the self-employed also participate in this phenomenon. One influencing factor is the unemployment rate: the higher the unemployment, the greater the likelihood of participation in the unreported economy (Cebula & Feige, 2012; Athanasios et al., 2021; Cebula, 2013). The unemployment rate is generally understood as the proportion of people of working age who are without work, available for work, and actively seeking employment. Employed workers, fearing future job losses, may under-report income to hedge against potential unemployment (Cebula & Feige, 2012). Additionally, rising unemployment increases cash usage, as individuals may turn to the black or informal economy, leading to tax collection issues. In times of high unemployment, people often work in the gray economy and are paid in cash, which they typically do not report to tax authorities (Athanasios et al., 2021).

Gross Domestic Product *per capita*

Research frequently turns to macroeconomics to explore the correlation between tax evasion and broad-spectrum indicators across countries, as a stronger economic footing tends to correlate with lower tax evasion. Gross Domestic Product (GDP) per capita emerges as the most widely accepted indicator, with research consistently aligning with the premise that higher GDP per capita is negatively associated with tax evasion (Kim, 2008; Athanasios et al., 2021; Riahi-Belkaoui, 2004). According to the World Bank, GDP per capita is calculated as the sum of gross value added by all resident producers in the economy plus any product taxes (less subsidies) not included in the valuation of output, divided by mid-year population. This understanding suggests that more evenly distributed national wealth contributes to reduced tax evasion and increased tax revenue. Higher per capita income signifies greater economic growth, enhancing both

the willingness and capacity to pay taxes, as there is more taxable material and income available for taxation (Athanasios et al., 2021). However, some findings in the literature indicate a positive relationship between income per capita and tax evasion. These studies suggest that higher-income individuals, particularly proprietors of businesses or activities subject to minimal reporting or withholding requirements, may be more inclined to underreport income (Cebula & Feige, 2012).

Economic development

Following the same line of reasoning, another significant determinant emerges: economic development (Gashi & Kukaj, 2016; Richardson, 2008). The International Monetary Fund defines economic development as the increase in a country's productive capacity and production rate surpassing that of its population growth, typically measured by the natural logarithm of GDP per capita. For example, countries in early stages of economic development are particularly susceptible to tax evasion, with developing nations often experiencing significant levels of unreported income, sometimes exceeding 50% of potential tax revenue (Richardson, 2006; Richardson, 2008). At both the firm and household levels, as economic development progresses, the perceived benefits of accurately reporting income increase (Athanasios et al., 2021). Moreover, economic development fosters a sense of economic freedom, which positively and significantly impacts tax compliance (Riahi-Belkaoui, 2004).

Business freedom

Business freedom is a composite measure of the quality of political-economic institutions across various jurisdictions and demonstrates a dual impact on tax evasion—a inflationary effect and a mitigating effect. Increased business freedom can create a larger environment conducive to illegal activities such as money laundering, potentially reducing government revenues in the formal economy. Conversely, an enhanced business environment positively influences a country's primary balance and contributes to deficit reduction (Mihóková et al., 2019). These insights, drawn from comprehensive national indicators, underscore that this determinant encompasses contributions from both companies and individuals.

Financial freedom

Financial freedom also acts as a dual-impact determinant, defined as a composite measure of the banking sector's independence from government control. In the context of tax evasion, financial freedom can exacerbate noncompliance. Increased independence of the banking sector from government oversight may facilitate funding of the economy without adequate regulation, potentially increasing monetary transactions associated with illegal activities and thereby reducing tax revenues (resulting in an increased deficit). However, this negative impact tends to be short-term, as financial freedom also demonstrates a positive long-term effect on tax revenues. This suggests that fostering an independently funded economy ultimately leads to positive outcomes in tax revenue (Mihóková et al., 2019). Once again, these findings are based on comprehensive national indicators, reflecting the combined impact of contributions from both companies and individuals on this determinant.

Salary income subject to withholding

Salary income subject to withholding represents the voluntary prepayment of taxes, where individuals advance a portion of their income to the state (White et al., 1993). Compared to the self-employed and independent traders, individuals whose salaries are subject to withholding are more likely to accurately report their earnings (Richardson, 2006). This aspect has emerged as a determinant of tax evasion, supported by studies indicating that individuals expecting a tax refund exhibit higher compliance than those who owe taxes (White et al., 1993). Individuals expecting a tax refund are motivated to accurately complete their tax returns to maximize their refund. Conversely, those owing taxes may be inclined to conceal income or inflate deductions to reduce their tax liability. Salary income subject to withholding is a crucial determinant because governments typically prioritize direct taxes over indirect taxes, given the latter's lower susceptibility to evasion (Kim, 2008). This dynamic establishes a negative relationship: higher withheld income correlates with reduced propensity for tax evasion. Furthermore, researchers have noted that tax withholding can potentially stifle economic activity by tying up liquidity that could otherwise be spent or invested, thereby limiting taxable transactions (White et al., 1993). This underscores a nuanced relationship where tax withholding, while enhancing compliance, may also impact economic liquidity negatively.

Social security contributions burden

The burden of social security contributions refers to the proportion of earnings allocated to social security within a specific jurisdiction to fund social benefits. Aligning with tax reforms aimed at reducing overall tax rates, a decrease in social security contributions is linked to an increase in tax revenue (Mihóková et al., 2019). This reduction is driven by higher real income at the household level and improved financial performance at the firm level, coupled with diminished incentives for evasion. As discussed earlier, the risks associated with non-compliance outweigh the potential benefits, dissuading taxpayers from evading taxes. For businesses, lower social security contributions translate into reduced labor costs, potentially enhancing annual competitiveness. This scenario mitigates the inclination to underreport earnings or inflate deductions. Similarly, at the household level, higher real income and reduced salary withholding lessen the propensity for tax evasion, as previously noted. However, a decrease in social security contributions could adversely affect public service quality, potentially eroding governmental trust, as explored in greater detail ahead.

Non-performing loans

Non-performing loans act as an additional determinant of tax evasion, reflecting companies' profitability and investment outlook. Non-performing loans are defined as borrowed funds that have not been repaid on schedule. This determinant shows a positive relationship with tax evasion, as higher levels of non-performing loans indicate increased evasion. Non-performing loans contribute to market uncertainty, prompting companies to refrain from regular investments and seek alternative avenues to boost earnings, often outside the formal economy. Improvements in the business climate, evidenced by reductions in the non-performing loan ratio, signal increased economic activity and potentially higher profitability for companies. This reduction in uncertainty enhances investment prospects and shifts companies' attitudes toward greater compliance with tax obligations (Athanasios et al., 2021). Understanding these economic determinants is crucial in addressing tax evasion. Based on the findings of previous studies, tax evasion correlates with a negative economic environment characterized by high tax rates, low disposable income, high interest rates, unemployment, low GDP *per capita*, and restricted business and financial freedom. Addressing these factors can mitigate conditions conducive to tax evasion, promoting greater compliance and contributing to a fairer society.

4.2.2 Political-Institutional Determinants

Economic determinants do not encompass all the factors that explain tax evasion. Among these, political-institutional determinants play a significant role.

Tax complexity

The primary determinant within this category is tax complexity, which refers to the intricate nature of income tax legislation that offers numerous opportunities for both legal tax avoidance and illegal tax evasion through exemptions and various reductions. For instance, many countries have pursued tax reforms aimed at simplifying income tax laws by lowering marginal tax rates and simultaneously broadening the tax base through the elimination of exemptions and loopholes. Changes in tax complexity directly influence taxpayers' choices between legal tax avoidance and illegal evasion (Neck et al., 2012). Numerous researchers have consistently found a positive relationship between tax complexity and evasion (Yalama & Gumus, 2013; Miskam et al., 2013; Kaulu, 2022; Sipos, 2015; Pedroni et al., 2022; Palil et al., 2016; Picur & Riahi-Belkaoui, 2006). However, a contrasting study suggests that simplifying the income tax schedule could lead to an increase in the shadow economy. One possible explanation for this phenomenon is described as follows:

“An economic interpretation of this result is that a more complex tax system makes taxpayers’ efforts to avoid taxation legally more profitable. It decreases the household’s inclination for working in the underground economy, as the reduced tax burden makes tax evasion (with the risk of being caught and punished) relatively less attractive than tax avoidance. Broadening the income tax base and removing tax exemptions can therefore increase the size of the shadow economy, ceteris paribus. Or, to put it differently, illegal tax evasion is substituted for the decreased possibilities for engaging in legal tax avoidance.” (Neck et al, 2012).

At the household level, reducing complexity plays a crucial role in fostering a tax morale and climate where citizens feel protected from corruption and excessive bureaucracy. This is particularly significant in developing countries where low tax compliance and resulting revenue shortfalls can severely hinder economic development. Addressing corruption and streamlining bureaucracy is urgently needed to cultivate the kind of tax morale that promotes both compliance and economic growth (Picur & Riahi-Belkaoui, 2006). At the firm level, regulatory and bureaucratic factors indicate that environments with extensive regulations (such as numerous laws, licensing requirements,

labor market regulations, and trade barriers) tend to discourage participation in the formal economy, potentially increasing informal activities. However, it's important to note that reasonable regulations—such as those governing pollution, health, or workplace safety—do not necessarily correlate with a larger informal sector (Pedroni et al., 2022).

Fairness

Alongside reducing complexity, fairness in the tax system stands out as another critical determinant frequently emphasized by several authors. Tax fairness, a non-economic factor, refers to the perception of justice and equity within the tax system, crucially influencing a country's tax collection (Kassa, 2021). The principle of fairness emphasizes that the ability to pay taxes is more significant than the perceived benefits derived from paying them (Richardson, 2006). Balancing considerations of ability to pay and acceptable tax rates helps uphold the fairness of the taxation system (Kassa, 2021). Consequently, there exists a negative relationship between fairness and tax evasion, with a fairer tax system typically correlating with reduced evasion (Mihóková et al., 2019; Sipos, 2015; Kassa, 2021). This principle applies not only to individuals but also to companies, where fairness extends to encompass effective competition laws. These laws are defined as social contracts ensuring equitable conditions for the exchange of effort and resources in the pursuit of private gains. When these conditions are upheld, companies are more inclined to comply with tax regulations and obligations (Riahi-Belkaoui, 2004).

Rule of Law

It's not solely tax laws that shape the environment influencing compliance decisions for individuals and companies. Numerous other legislative frameworks impact economic entities' behavior. To encapsulate these influences, the term "rule of law" emerges as a pivotal determinant of tax evasion. Rule of law denotes the extent of adherence to legislative rules within an economy (Mihóková et al., 2019). A proliferation of regulations across various sectors can limit individuals' choices within the formal economy, potentially driving increased activity in the shadow economy, including tax evasion (Mihóková et al., 2019). A clear negative relationship exists between tax evasion and the rule of law. Countries characterized by complex, fragmented, and stringent regulations tend to experience higher levels of non-compliance (Mihóková et al., 2019; Yalama & Gumus, 2013; Riahi-Belkaoui, 2004; Picur & Riahi-Belkaoui, 2006).

Strengthening adherence to the rule of law fosters a social framework where taxpayer non-compliance is less tolerated by society (Athanasios et al., 2021). This holds true for both companies and individuals, reinforcing that excessive regulatory burdens can incentivize attempts to circumvent the system, ultimately impacting tax revenue collection negatively (Mihóková et al., 2019).

Efficiency of government spending

Governmental action plays a crucial role in shaping public perceptions and behaviors, significantly influencing attitudes towards tax evasion. Responsible governance enhances overall understanding of the tax system and increases the likelihood of compliance. A central focus in this regard is the efficiency of government spending, which is widely recognized as a pivotal determinant across various studies.

Efficiency of government spending refers to how taxpayers perceive the management of public funds, including concerns over mismanagement, unnecessary expenditures, and wasteful schemes. Excessive government spending often leads to budget deficits and accumulation of sovereign debt, posing significant economic challenges. Some countries attempt to address high deficits through increased taxation or burdens on social and healthcare systems, yet this can inadvertently spur tax evasion and diminish government revenues, exacerbating fiscal imbalances (Mihóková et al., 2019). Enhancing governmental responsibility and integrity is crucial for fostering citizen trust in governance efficacy (Ishak & Ali, 2020). Household compliance with tax obligations is influenced by perceptions of government program support, regardless of audit possibilities. Effective government actions instill confidence that taxes contribute to public welfare and are efficiently allocated, thereby bolstering voluntary compliance (Athanasios et al., 2021; Palil et al., 2016).

At the firm level, research indicates a dual impact of government services on the informal sector. Firms experiencing losses due to crime are more inclined to underreport revenues, while those perceiving the judicial system as fair and corruption-free exhibit lower tendencies for sales underreporting (Pedroni et al., 2022). This underscores that efficient government spending correlates negatively with tax evasion, as prudent resource management contributes to economic stability and reduced noncompliance (Mihóková et al., 2019; Sipos, 2015; Athanasios et al., 2021; Pedroni et al., 2022; Palil et al., 2016).

Quality of public services

Aligned with the efficiency of government spending, studies clarify that when taxpayers perceive the quality of public services as sufficient, they feel their money is being used appropriately, increasing their willingness to pay taxes (Sipos, 2015). This perception is tied to the social contract where individuals fulfill obligations, such as paying taxes, and the state provides a suitable legal framework and quality public services. However, in scenarios of poor state provision, individuals and companies do not receive enough benefits for fulfilling their duties as citizens, leading to greater incentives for unreported activities. This reduces tax revenues and prompts tax increases in the formal sector, further undermining the state's ability to efficiently provide public goods and services (Pedroni et al., 2022). Therefore, a negative relationship between perceived service quality and tax evasion is established (Richardson, 2006; Sipos, 2015; Kim, 2008; Ishak & Ali, 2020; Pedroni et al., 2022; Riahi-Belkaoui, 2004).

In the context of companies, improving public service quality enhances public security and reinforces the judicial system. Reducing bureaucracy, lowering compliance costs, and improving infrastructure, government services, and public institutions' quality, along with providing a stable regulatory environment, increases public trust and fosters a more compliant view on tax conformity (Pedroni et al., 2022). For households, direct participation in the democratic process through voting makes politicians more accountable and transparent, improving taxpayer confidence and reducing tax evasion (Richardson, 2006). When individuals believe the government acts in their interests, follows fair procedures, and reciprocates their trust, they are more likely to become "contingent consenters" who cooperate in paying taxes (Richardson, 2008).

Control of corruption growth

Effective governance necessitates robust control over corruption. This significant determinant is defined by systems in place to deter corruption, reflecting the quality of governance. Strengthening and clarifying the connections between revenue and expenditure can enhance societal tax morale. Increased transparency in tax policy, coupled with more rigorous tax administration procedures, helps mitigate opportunities for corruption and reduces the willingness to evade taxes (Sipos, 2015). Research confirms a positive link between corruption and informality, indicating that high corruption contexts create greater incentives to hide economic activities (Mihóková et al., 2019; Sipos, 2015; Pedroni et al., 2022; Picur & Riahi-Belkaoui, 2006). The relationship

between corruption and the informal economy can be bidirectional: greater informality increases the need for bribes, suggesting that tax evasion creates additional opportunities for corruption, perpetuating a vicious cycle (Pedroni et al., 2022).

At the household level, both corruption and bureaucratic corruption undermine individuals' trust in their government, reducing their willingness to comply with taxes. Despite potential reputational and legal consequences, citizens are more likely to comply with taxes if corruption control is high. Thus, reducing bureaucracy and corruption fosters higher tax compliance, creating a favorable tax morale (Picur & Riahi-Belkaoui, 2006). For companies, corruption poses a severe operational obstacle. When governments use public power for private gain, irregularities such as expected informal payments during inspections with tax officials arise. Research shows a strong link between high corruption levels and tax evasion, indicating that effective control of corruption is crucial for fostering a compliant business environment (Pedroni et al., 2022).

Political Instability

Delving into political-institutional determinants, political instability emerges as a less frequently mentioned factor. However, its study is essential as it encompasses the perception of uncertainty regarding governmental action or continuity. Similar to other determinants, in contexts where companies or individuals cannot foresee stable governmental or legislative action, their incentives to comply diminish, increasing tax evasion to offset potential future losses.

Both at the firm and household levels, changes in the magnitude of tax evasion are influenced by various political, administrative, social, and psychological factors, contributing to fiscal imbalances in a country. The relative importance of each factor varies across nations. Governance aspects, including regulation, government effectiveness, and political stability, significantly impact the extent of tax evasion. Political stability is perceived through the risk of political instability or politically motivated violence, including terrorism. Higher political instability can lead to increased budget volatility and a larger shadow economy, indicating a positive relationship between instability and tax evasion (Mihóková et al., 2019). However, different results were reported when analyzing Argentina. Here, greater perceived imbalance led to a lower propensity to underreport sales. This anomaly likely stems from the correlation between political and economic instability in Argentina. Firms may interpret political instability

as a negative signal, prompting them to report revenues more accurately to reduce the risk of discovery (Pedroni et al., 2022).

Audit rate

The political-institutional determinants of tax evasion extend beyond governmental action and legislation to encompass the roles of the executive and judicial branches. Within these branches, several critical determinants arise, such as the audit rate, defined as the percentage of filed official income tax returns subjected to formal audits by tax authorities. This audit rate represents the probability of detection by the tax authority, and numerous studies have shown that increased detection probability significantly reduces the propensity for tax evasion (Cebula & Feige, 2012; White et al., 1993; Palil et al., 2016; Cebula, 2013; Hashimzade et al., 2014).

For individuals, the likelihood of an audit serves as a substantial deterrent to tax evasion, making it a crucial policy tool for combating personal income tax evasion (Cebula & Feige, 2012). Research indicates that self-employed individuals have greater opportunities for evasion due to the low probability of audits they face. Therefore, higher detection probabilities correlate with increased compliance levels (Palil et al., 2016). At the firm level, the audit rate includes factors such as previous inspection experiences and company location, which can influence the likelihood of detection. Companies with prior audit experience are often better prepared, and those in regions with less tax authority control may exploit these limitations to engage in irregular activities (Pedroni et al., 2022). Given the limited resources of tax administrations, optimizing audit strategies to target large firms can be more effective due to their potential for higher returns from non-compliance (Abdixhikua et al., 2017). Thus, a negative relationship is established between audit rates and tax evasion for both individuals and companies, especially when combined with increased penalty costs. This underscores the importance of strategic audits and robust penalties in promoting tax compliance.

Penalty cost

Penalties for noncompliance, such as fines and fees, are another frequently mentioned determinant of tax evasion. Research shows a significant relationship between penalty costs and tax evasion, suggesting that higher penalties deter individuals and companies from evading taxes (Miskam et al., 2013). This can be attributed to the risk-reward dilemma associated with evasion; as the cost of penalties increases, so does the

risk of evading taxes. This confirms a negative relationship between penalty costs and tax evasion (Miskam et al., 2013; White et al., 1993; Wentworth & Rickle, 1985; Cebula, 2013; Gashi & Kukaj, 2016). This evidence is consistent at both the firm and household levels, indicating that the higher the expected penalty, the lower the incentive to participate in the informal economy (Pedroni et al., 2022). As a result, stringent penalties and rigorous enforcement can significantly enhance tax compliance across the board.

Enforcement

Both audit rates and penalty costs are frequently cited in studies on the determinants of tax evasion, dating back to the earliest research on this topic. However, the concept of enforcement has been gaining prominence within these discussions. Enforcement is defined as the aggregate capability to detect, prevent, investigate fraud, and prepare cases for the prosecution of offenders (Gashi & Kukaj, 2016). It must be flexible enough to respond to an intelligence-led strategy based on the latest methods of targeted risk assessment and modern technology. The effects of enforcement are similar for both companies and individuals, as it safeguards revenue and protects society. Strong enforcement acts as a powerful deterrent to tax evasion due to the potential for severe punishment (Gashi & Kukaj, 2016; Richardson, 2008). Additionally, effective enforcement provides a crucial foundation for preventing deviant behaviors, such as corruption and tax evasion, thus promoting a culture of compliance and integrity within the economy (Richardson, 2008).

Strong control during customs clearance

Additional determinants in this category include strong control during customs clearance, which has been found to have a negative effect on tax evasion (Gashi & Kukaj, 2016). Customs control points or areas are stations where government officers screen travelers taking goods into or out of a country or any other defined area with customs regulations. Screening may involve interview questions, inspections, and searches. Officers may restrict the entry or exit of certain goods, or impose fines, levies, customs fees, or taxes on items crossing the border. One of the main risks in customs operations is customs fraud, where activities aim to evade payment of duties, typically on imports of commercial goods. Data indicates that tariff evasion primarily occurs through misrepresentation of import prices rather than underreporting quantities or product misclassification (Gashi & Kukaj, 2016). Customs tariff evasion includes importing or

exporting products by unauthorized means and evading customs duties through under-invoicing and mis-declaration of goods during import or export. These smuggling activities cause losses not only in monetary revenue but also in non-monetary controls like quotas, embargoes, and product quality (Miskam et al., 2013). Since the import and export of goods can be carried out by both companies and individuals, a similar effect is expected. Therefore, strong control during customs clearance would reduce the probability of tax evasion (Gashi & Kukaj, 2016).

Proximity to higher evasion rate countries

Expanding on the frontier framework, proximity to higher evasion rate countries is also appointed as a low frequently mentioned determinant. The location of a country near to a higher evasion rate country may cause disruption in the functioning of the official economy. Be that by trafficking along the border or by the influence of neighboring institutions or companies. The findings suggest that sharing a border with a higher evasion rate country increases the probability of tax evasion, establishing therefore a positive relationship. The results only concern individuals and further suggest that tobacco tax evasion is higher in the municipalities in close proximity to borders with countries that have high evasion rates (Vladisavljevic et al, 2022).

Serious Crime Rate

Lastly, the serious crime rate is defined as the reported number of murders, violent crimes, or armed robberies per 100,000 people, based on Interpol and country data. This determinant serves as a proxy for low moral norms. Regardless of the reputation cost or legal punishment associated with tax noncompliance, a citizen might choose tax compliance for moral reasons. Therefore, higher serious crime rates per 100,000 population correlate with lower moral norms and higher rates of tax noncompliance among individuals (Riahi-Belkaoui, 2004). A similar effect is observed at the firm level. Firms that experienced losses due to crime in the previous year, indicating lower levels of public security, are more likely to underreport revenue (Pedroni et al., 2022). This suggests that an increase in serious crime rates negatively impacts both individual and corporate tax compliance.

4.2.3 Socio-Behavioral Determinants

The previous sections have explored the determinants of tax evasion from an external perspective. However, internal factors, particularly socio-behavioral determinants, also play a crucial role. These determinants are specific to the household context and focus exclusively on the individual-level perspective in analyzing the factors influencing tax evasion.

Tax morale

The most frequently mentioned determinant in this category is tax morale. This concept can be defined as the non-pecuniary motivations for tax compliance, as well as factors that fall outside the standard expected rational economic actor utility framework (Ostapenko & Williams, 2016). Given this broad definition, numerous studies have focused on tax morale alone. Nevertheless, when tax morale in a country is high, it can reduce the level of tax evasion (Richardson, 2006). Research also indicates that a powerful deterrent to tax evasion is the establishment of a tax morale or climate in which citizens are assured economic rights and safe lives. When individuals can exercise their economic rights, such as economic freedom, access to equitable markets, and adherence to effective competition laws, in a secure environment that enhances their quality of life, they are more likely to view tax compliance as a civic duty rather than a burden. Therefore, it is reasonable to conclude that there is a negative association between tax morale and tax evasion (Ostapenko & Williams, 2016; Richardson, 2006; Kaulu, 2022; Sipos, 2015; Kassa, 2021; Riahi-Belkaoui, 2004; Picur & Riahi-Belkaoui, 2006; Tsakumis et al., 2007; Richardson, 2008).

Trustworthiness of the government

The collective conscience that constitutes tax morale is fundamentally based on trust. Consequently, several studies identify the trustworthiness of the government as a key determinant of tax evasion. This trustworthiness can be defined as the belief among individuals that the government will act in their best interests, that its procedures are fair, and that their trust in the government and others is reciprocated. Public trust is essential for the government to garner support, and citizens' optimistic attitudes toward the government enhance their commitment to comply with the tax regime. The implicit consequences of corruption and mistrust are significant, often leading to diminished

public service performance, increased hardship among citizens, and obstacles to achieving societal welfare. In a more corrupt society, there may be a greater inclination to engage in tax evasion, as corrupt officials seek additional income through bribes, as previously discussed (Ishak & Ali, 2020). Therefore, there is a negative relationship between trust in government and tax evasion (Athanasios et al., 2021; Palil et al., 2016; Richardson, 2008; Ryšavá & Zídková, 2021), as a context of high governmental trust correlates with reduced evasion.

Power distance

As a secondary aspect of trust in the government, power distance emerges as a less frequently mentioned determinant. This concept refers to the extent to which hierarchical structures and unequal power distribution in institutions and organizations are accepted. In high power distance societies, inequality is institutionalized within hierarchies that assign individuals to their designated societal roles. This acceptance often extends to the infringement of rules in civil morality, as those in power are perceived to have privileges that they may use to enhance their wealth. This dynamic can lead to a wider income gap between social classes, thereby increasing the incentive for tax evasion. Conversely, low power distance societies uphold the value that inequalities between individuals should be minimized, and any existing hierarchies are maintained purely for administrative purposes. Given these contrasting scenarios, a positive relationship is established: the greater the perceived power distance, the more likely citizens are to resort to tax evasion (Tsakumis et al., 2007).

Feeling of retributions for paying taxes

Political actors are expected to fulfill their campaign promises once they assume office, which brings to light another significant determinant of tax evasion: the perception of retribution for paying taxes. This refers to the personal belief that the taxes paid are effectively used for public services. Research indicates that trust in government diminishes when there is a perception that taxes are not fully or properly utilized for public services. This erosion of trust undermines tax morale, leading individuals to evade taxes. The perception of retribution for paying taxes can be positively influenced by developing a robust welfare state and improving living standards. Consequently, there is a negative relationship between this perception and tax evasion: as the perceived benefits

from paying taxes increase, the inclination to evade taxes decreases (Sipos, 2015; Athanasios et al., 2021; Wentworth & Rickel, 1985; Riahi-Belkaoui, 2004).

Level of general education

Within the realm of public services, one specific determinant that has been found to be somewhat frequent is the level of general education. Most studies examining the impact of education on tax evasion use a taxpayer's general education level as the metric (Richardson, 2006). Education can be analyzed by its level, ranging from primary school to university degree, with findings indicating that taxpayers with less education tend to evade taxes more frequently than those with higher education (Yalama & Gumus, 2013). These findings suggest a negative correlation between education and tax evasion (Richardson, 2006; Yalama & Gumus, 2013). Moreover, education encompasses two elements: the general degree of fiscal knowledge and the specific knowledge regarding tax evasion opportunities. Enhancing the level of general fiscal knowledge improves tax compliance due to more positive perceptions about taxation. Conversely, increased knowledge of tax evasion opportunities negatively influences tax compliance, as it aids non-compliance (Richardson, 2006).

Tax Information/ Awareness

Some studies also identify determinants related to information and awareness (Kaulu, 2022; Ishak & Ali, 2020; Hashimzade et al., 2014; Gashi & Kukaj, 2016). The findings indicate that the more informed and aware citizens are of the rules and procedures, the less likely they are to engage in noncompliance. This can be attributed to the efforts of authorities in providing training for taxpayers about tax evasion and other tax-related issues, which makes taxpayers more reluctant to evade taxes. However, there are arguments that tax knowledge can also positively influence tax evasion. This occurs when individuals exploit legislative loopholes or are misinformed about taxation. When taxpayers lack proper information about the importance of taxes for national development and the detrimental effects of tax evasion, they may be more inclined to evade taxes (Kassa, 2021).

Individualism

To deepen the research, individualism has been identified as a determinant in several studies. Individualism is defined by the self-concept of "I" versus "we," or a

society's preference for a loosely knit social fabric versus a more interdependent, tightly knit social fabric. Its influence on tax evasion has been found to be divergent. According to some findings, low individualism is associated with higher compliance, while high individualism increases the likelihood of evasion. The key issue in individualism is the degree of interdependence a society maintains among individuals. In highly individualistic societies, individuals are seen as unique and whole, possessing a self-identity separate from group affiliation. The findings suggest that in these countries, the same value standards should apply to all people, with rules and procedures universally enforced to ensure equity and consistency. Conversely, in low individualistic societies, individuals are viewed primarily through their group affiliations. The group, rather than the individual, is considered the basic unit of society (Tsakumis et al., 2007). In these countries, value standards differ for in-groups and out-groups, leading to flexible rules and procedures in specific situations. This flexibility supports the idea that tax systems in such countries are likely to be inequitable and violate the ability-to-pay principle, as tax laws are applied differently to various groups, resulting in an unfair distribution of the tax burden (Richardson, 2008).

Role of social networks

Despite the differing views on individualism, a related topic underscores the role of social networks as a determinant of tax evasion. Social networks play two critical roles: first, they transmit social customs from one person to another; second, they allow individuals to form perceptions based partly on their own experiences and partly on information received about the experiences of others. In the context of the self-employed, it is the risk tolerance towards tax evasion that influences social networks. Higher tolerance for tax evasion within a network can increase the likelihood of others in the same network adopting similar behaviors. Conversely, a high resistance to risk within the network promotes greater compliance (Hashimzade et al., 2014; Wentworth & Rickel, 1985). The extent to which the influence of others is carried through is also shaped by a sense of belonging. This sense of being part of something larger guides individuals' actions to align with those of the group. Studies indicate that a strong sense of belonging to a country correlates with higher conformity to tax laws (Ryšavá & Zídková, 2021). In contexts where individual behavior that deviates from group norms is frowned upon, a greater sense of belonging leads to increased compliance with tax regulations.

Patriotism

A different perspective on the aspect of belonging to a group is patriotism. This concept is defined as the willingness to defend one's own country and is characterized by loyalty to the government and identification with national values. Research indicates that individuals who exhibit patriotism, demonstrated by their willingness to defend their country in times of war, are less likely to justify cheating on taxes. This suggests a negative association between patriotism and tax evasion (Ryšavá & Zídková, 2021).

Religiosity

Delving deeper into the discussion, religiosity emerges as another socio-behavioral determinant influencing attitudes and actions derived from individuals' beliefs. Religions socialize people by instilling norms that discourage deviant behavior through negative definitions of such actions. Additionally, religions often deter deviance and promote anti-deviant attitudes through various means, including moral teachings and potential consequences. Research findings indicate that religious individuals tend to exhibit slightly lower tolerance for tax evasion compared to their non-religious counterparts. This aligns with the general assumption that religions universally aim to promote virtuous behavior while discouraging unethical conduct. Religion is expected to provide internal controls for self-monitoring and self-enforcement of moral behavior. Consequently, it is evident that religiosity has a negative impact on tax evasion (Ishak & Ali, 2020; Richardson, 2008; Ryšavá & Zídková, 2021).

Age

Other less frequently discussed determinants are associated with demographics and attitudinal responses, such as age. On one hand, there is a negative correlation between age and tax evasion, largely influenced by risk perception. As individuals grow older, their inclination towards tax evasion tends to decrease. This can be attributed to a heightened awareness of the less favorable risk-benefit tradeoff associated with evasion (Cebula & Feige, 2012; Ryšavá & Zídková, 2021). On the other hand, there is a perspective suggesting a positive relationship between age and tax evasion. Older individuals are often seen as more knowledgeable and experienced, potentially better equipped to exploit loopholes in tax laws—for instance, through intentional over-deductions to maximize tax benefits. In contrast, younger taxpayers are less likely to engage in such practices due to their limited familiarity with the tax code (White et al.,

1993; Ostapenko & Williams, 2016). Additionally, older individuals facing income shortfalls relative to their needs may resort to tax evasion to supplement their income (Vladislavljevic et al., 2022).

Gender

Gender also plays a nuanced role in tax evasion, with varying conclusions across studies. There is no universal consensus on which gender evades taxes more prominently. Some studies suggest that higher masculinity levels are associated with lower tax evasion rates across countries (Tsakumis et al., 2007). This reflects the degree to which gender roles emphasize traditional masculine values such as performance and visible achievement over traditional feminine values of relationships, caring, and nurturing. Conversely, other findings indicate that women are less likely to justify tax evasion than men, suggesting that men may have a more lenient attitude towards noncompliance. This could be attributed to psychological factors such as women's lower propensity for risk-taking and their greater awareness of the benefits of public support, such as during maternity leave (Ryšavá & Zídková, 2021). However, there is also an argument that women may be more likely to engage in tax evasion, particularly in specific contexts such as the tobacco trade in the Western Balkans. This research suggests that lower income among women, exacerbated by the persisting gender pay gap in the region, may increase their willingness to evade taxes to augment household income (Vladislavljevic et al., 2022).

Uncertainty avoidance

Uncertainty avoidance refers to the extent to which members of a culture feel uncomfortable or threatened by uncertain or unknown situations. Cultures with high uncertainty avoidance tend to avoid ambiguous and uncertain circumstances, which can lead to heightened levels of anxiety. Importantly, uncertainty avoidance should not be confused with risk avoidance. Interestingly, in high uncertainty avoidance cultures, there is a willingness to engage in risky behaviors to reduce ambiguity. Conversely, cultures with low uncertainty avoidance are more adept at managing uncertain and ambiguous situations, resulting in lower levels of anxiety. Consequently, individuals in societies with low uncertainty avoidance are less inclined to engage in risky behaviors (Tsakumis et al., 2007). Taking these factors into consideration, it is reasonable to conclude that there is a

positive correlation between uncertainty avoidance and tax evasion (Tsakumis et al., 2007; Richardson, 2008).

Acceptance of illegitimate behaviors

Finally, among the socio-behavioral determinants, the acceptance of illegitimate behaviors emerges as a compelling factor. The degree of acceptance of illicit conduct is strongly influenced by the discrepancy between state morality and individual morality. Research suggests that this can be attributed to Institutional Asymmetry, where formal institutions (such as codified laws and regulations) are not aligned with informal institutions (including norms, values, and beliefs of individuals), thereby fostering conditions conducive to tax evasion (Ostapenko & Williams, 2016). This concept is closely tied to the sense of national pride individuals feel toward their country, which entails a personal connection to the nation's values, history, and norms. Upholding this national identity typically entails contributing to society, and tax evasion contradicts this vision. Consequently, when formal and informal institutions are more aligned, there tends to be a stronger sense of national pride and a reduced inclination towards tax evasion (Ryšavá & Zídková, 2021).

4.2.4 Firm-Level Determinants

Determinants explored thus far encompass a wide spectrum of factors influencing tax evasion. In addition to economic, political-institutional, and socio-behavioral factors, scholars also identify a fourth category of influential factors: firm-level determinants.

Company size

The most frequently cited determinant is company size, although its definition sparks debate. Studies typically measure company size either by the number of employees (Ostapenko & Williams, 2016; Pedroni et al., 2022; Abdixhikua et al., 2017) or by total assets (Ryšavá et al., 2021). Some argue for a negative relationship with tax evasion, asserting that larger firms evade taxes less frequently. This viewpoint reflects the reality that tax authorities often prioritize larger businesses due to their higher turnovers, which offer greater potential for revenue from detecting evasion. Consequently, smaller firms may receive less scrutiny (Abdixhikua et al., 2017). Moreover, multinational firms tend to exhibit higher compliance as they adhere to international standards, driven by the risk-

averse nature of foreign investors navigating unfamiliar business environments (Pedroni et al., 2022). Conversely, there is an opposing view suggesting a positive relationship. Larger companies wield greater influence and resources, enabling them to potentially manipulate the political process in their favor or negotiate favorable tax terms (Mocanu et al., 2021). Additionally, corporations and partnerships, where decision-making involves multiple stakeholders, tend to exhibit higher compliance compared to sole proprietorships, where tax evasion might be more feasible under sole discretion (Ostapenko & Williams, 2016; Pedroni et al., 2022; Abdixhikua et al., 2017).

Financial performance

Financial performance is likely to exhibit a negative relationship with tax evasion. This relationship is typically examined using metrics like return on assets, where higher profitability correlates with lower incidences of tax evasion. The rationale behind this correlation lies in the greater risks and consequences associated with detection and prosecution of fraudulent activities as financial performance improves. As companies become more profitable, their focus shifts towards funding, expansion, and overall financial health. Consequently, profitable firms are more likely to engage reputable consultants to optimize their tax strategies legally, thereby enhancing their annual financial reports. Moreover, heightened financial performance often attracts increased scrutiny and stricter financial disclosures, raising the likelihood of being targeted for tax inspections (Mocanu et al., 2021).

External financing

When examining corporate funding, research indicates that external financing has a negative impact on tax evasion. Companies that rely more on lines of credit tend to engage in less evasion (Pedroni et al., 2022). This relationship can be attributed to several factors, including the collateral required when securing loans and the potential financial repercussions if irregularities are detected during audits. External financing often involves agreements that may include collateral, which serves as a safeguard for lenders against potential losses. This incentivizes companies to maintain compliance with tax regulations to avoid penalties that could jeopardize their ability to meet financial obligations. Therefore, the threat of fines and fees resulting from tax audits acts as a deterrent against engaging in tax evasion practices.

Company age

The longevity of a company signifies years of experience and establishment in the market. Research indicates that older companies tend to be more compliant with tax regulations. Studies affirm this theory, demonstrating that older companies are less likely to engage in tax evasion compared to younger companies (Pedroni et al., 2022). This trend can be attributed to the accumulation of reputation and trust over time. Older companies typically build a strong reputation within their industry. Engaging in illicit behaviors such as tax evasion could damage this reputation, undermining trust with stakeholders ranging from investors to clients and partners. Therefore, the incentive to maintain a reputable standing in the market acts as a deterrent against participating in unlawful tax practices.

Certification

Another significant aspect at the firm level pertains to company certifications, viewed from two distinct angles: (1) financial statement certification and (2) international quality certifications. Both types of certifications are expected to correlate negatively with tax evasion. Financial statement certification involves the external auditing of a company's financial statements, which has been shown to reduce the likelihood of tax evasion. Companies whose financial statements are certified by external auditors are generally less prone to engaging in tax evasion. International quality certifications indicate that companies meet rigorous international quality standards, positioning them competitively in the global marketplace. Research indicates that companies holding such certifications are also less likely to evade taxes (Pedroni et al., 2022). This phenomenon is partly attributed to internationalization, where adherence to international standards enhances credibility and trust among stakeholders, including risk-averse foreign investors navigating unfamiliar business environments (Abdixhikua et al., 2017).

Domestic market orientation

Contrary to internationalized firms, companies focused primarily on the domestic market show a positive correlation with higher tax evasion. These companies, whose primary business activities cater to domestic demands rather than international exports, tend to have a greater propensity to underreport revenue (Pedroni et al., 2022). This trend is also influenced by ownership structure, where companies owned domestically (compared to those with foreign ownership) are more likely to engage in tax evasion (Abdixhikua et al., 2017).

Top Manager's Experience

The experience of top management plays a significant role in a company's performance, including its tax compliance behavior. Research explores the years of experience of top managers as a determinant of tax evasion. Findings consistently indicate that higher managerial experience correlates with lower levels of tax evasion (Pedroni et al., 2022). This finding aligns with socio-behavioral research indicating that older age is associated with reduced inclination towards tax evasion, as the perceived risks outweigh potential benefits.

Cash Transactions

The method of conducting business transactions also affects tax compliance. Studies reveal disparities in compliance between businesses with higher versus lower cash transaction volumes. Sectors with higher cash transactions exhibit higher levels of tax evasion due to transactions being less visible to tax authorities, facilitating evasion practices (Abdixhikua et al., 2017). Addressing this issue may require increased tax inspector presence in cash-intensive sectors. In cases where human resources are limited, incentivizing consumers with tax deductions for requesting invoices or promoting non-cash payment methods could also mitigate evasion (Abdixhikua et al., 2017).

Company Sector

Another critical firm-level determinant is the sector in which companies operate. The research identifies certain industries prone to higher tax evasion rates, while others exhibit lower tendencies. Industries such as Manufacturing, Construction, Wholesale, and Retail are frequently associated with higher levels of tax evasion (Abdixhikua et al., 2017; Mocanu et al., 2021). However, there are exceptions, with some studies suggesting that manufacturing companies may have lower propensities to underreport sales compared to sectors like commercial services, food, and textiles (Pedroni et al., 2022). Furthermore, specific sectors such as 'Hotels and restaurants' demonstrate the highest evasion rates, followed by 'Manufacturing', 'Real estate, renting and business services', and the 'Construction' sector, with 'Wholesale, retail, and repairs' also showing significant evasion tendencies. Conversely, firms operating in 'Mining and quarrying' exhibit the least evasive behavior (Abdixhikua et al., 2017). These findings underscore the influence of industry-specific factors such as cash transaction volumes and sector-specific regulatory environments on a company's propensity towards tax evasion.

4.3 Practical Implications

To address tax evasion, governments should implement several key measures. Simplifying the tax system and reducing tax rates are effective strategies. Ensuring that wage and salary incomes subject to withholding, such as employment income, are properly managed can also help curb tax evasion. Additionally, the perception of fair tax policy is linked to lower levels of evasion.

High tax morale is associated with lower noncompliance, while general education levels are negatively correlated with tax evasion. Governments should focus on improving the relationship between taxpayers and institutions to build trust. Reduced tax evasion will enhance public finances, allowing for an increase in public goods, which may further strengthen trust in government. A positive relationship between taxpayers and tax authorities can create a synergy of compliance, potentially transforming reduced evasive behavior into social norms over time. Moreover, stronger deterrence mechanisms can reduce opportunities for tax evasion, thereby promoting fair market competition by eliminating the unfair advantage of evaders.

Research findings are valuable for tax authorities in designing effective mechanisms to communicate the latest tax regulations and achieving goals related to the tax collection system. It is essential for tax authorities to understand taxpayers' levels of knowledge to communicate changes in tax laws effectively and design appropriate tax policies. The government should also consider the characteristics of non-compliant taxpayers, whether by sector or business volume, review current regulations, and potentially increase audit and penalty rates to improve overall tax compliance.

5. CONCLUSION

5.1 Findings report

Tax evasion is a widespread issue affecting many countries worldwide, posing significant challenges for governments and authorities striving to eradicate it. Despite ongoing efforts, tax evasion persists, necessitating a deeper understanding of its implications. One approach to better comprehend tax evasion is to study its origins and the factors contributing to its existence, known as tax evasion determinants. This master's thesis aims to analyze these determinants and their impact on tax evasion.

Following an extensive review of related concepts and past research, a multistep systematic review was conducted. Each element, from search strings to databases and exclusion criteria, was carefully selected, resulting in a final sample of 28 studies encompassing 52 different determinants. These determinants were thoroughly analyzed and categorized into four main groups: economic, political-institutional, socio-behavioral, and firm-level.

Addressing the questions posed in the introductory part of this thesis, it became evident that the determinants of tax evasion could be understood within these specific categories, derived from existing literature and prior reviews. Several determinants within these categories show a consensus among researchers regarding their clear effects - positive or negative - on tax evasion. For example, tax rate, political instability, uncertainty avoidance, and cash-prevalent businesses are positively associated with tax evasion. Conversely, real income, quality of public services, tax morale, and financial performance negatively correlate with tax evasion.

The main findings suggest that a liberalized and thriving economy are key factors in reducing tax evasion. Additionally, fair governmental action combined with strong enforcement mechanisms promotes voluntary compliance. A positive perspective towards the government and its spending fosters a collective conscience, discouraging deviant behaviors. Finally, promoting the growth and internationalization of companies leads to greater conformity with the law, with particular attention needed for specific sectors. Tables 5.1 and 5.2 provide a concise summary of these findings.

Table 5.1 – Household-level findings summary

DETERMINANTS	NEGATIVE		NEGATIVE / POSITIVE		POSITIVE	
ECONOMIC	Real Income (1)(6)(21)(22)	Economic Development (5)(14)(21)(23)(25)(26)	GDP per capita (1)(11)(14)(21)	Social Security contributions burden (3)	Tax Rate (1)(6)(14)(21)(23)	Interest Rate (1)(11)(19)
	Financial Freedom (3)	Business Freedom (3)	Salary income subject to withholding (5)(8)(11)		Unemployment Rate (1)(14)(19)	
POLITICAL- INSTITUTIONAL	Fairness (3)(5)(10)(13)(21)	Efficiency of government spending (3)(10)(14)(15)(18)	Tax Complexity (6)(7)(9)(10)(15)(18)(21)(22)(24)		Political instability (3)(15)	Proximity to higher evasion rate countries (27)
	Rule of Law (3)(6)(14)(21)(24)	Quality of public services (5)(10)(11)(12)(15)(21)			Serious crime rate (15)(21)	
	Control of corruption growth (3)(10)(15)(24)	Audit rate (1)(8)(15)(16)(18)(19)(20)				
	Penalty cost (7)(8)(15)(17)(19)(23)	Enforcement (23)(26)				
	Strong control during customs clearance (7)(23)					
SOCIO- BEHAVIORAL	Tax morale (2)(5)(9)(10)(13)(21)(24)(25)(26)	Trustworthiness of the government (12)(14)(18)(26)(28)	Level of general education (5)(6)	Tax information/awareness (9)(12)(13)(20)(23)	Power distance (25)	Acceptance of illegitimate behaviors (2)(28)
	Feeling of retributions for paying taxes (10)(14)(17)(21)	Patriotism (28)	Individualism (25)(26)	Role of social networks (17)(20)(28)	Uncertainty avoidance (25)(26)	
	Religiosity (12)(26)(28)		Age (1)(2)(8)(27)(28)	Gender (25)(27)(28)		

Source: Author’s own elaboration

Table 5.1 presents the household-level results, showing that determinants with a negative relationship towards tax evasion significantly outnumber those with a debatable (negative/positive) or positive association, particularly among political-institutional determinants. This imbalance may suggest limitations in the conclusions and potentially lead to inaccurate practical implications. Economic and socio-behavioral determinants exhibit a more even distribution, enabling a more balanced interpretation of the results. Determinants with effects that lack consensus should be the focus of future research to better understand their impact on tax evasion.

Table 5.2 displays similar results at the firm level. Here too, there is a tendency to explore determinants with a negative relationship towards tax evasion. The fewer determinants with a debatable relationship at the firm level suggest two possible explanations: (1) there is a higher consensus among studies on the determinants of tax

evasion in companies; or (2) existing research has not yet delved deeply enough into the effects of firm-specific determinants.

Table 5.2 – Firm-level findings summary

DETERMINANTS	NEGATIVE		NEGATIVE / POSITIVE		POSITIVE	
ECONOMIC	Economic Development (5)(14)(21)(23)(25)(26)	Business Freedom (3)			Tax Rate (1)(6)(14)(21)(23)	Interest Rate (1)(11)(19)
	Financial Freedom (3)				Non-performing loans (14)	Social Security contributions burden (3)
POLITICAL- INSTITUTIONAL	Fairness (3)(5)(10)(13)(21)	Efficiency of government spending (3)(10)(14)(15)(18)		Political instability (3)(15)	Tax Complexity (6)(7)(9)(10)(15)(18)(21)(22)(24)	Serious crime rate (15)(21)
	Rule of Law (3)(6)(14)(21)(24)	Quality of public services (5)(10)(11)(12)(15)(21)				
	Control of corruption growth (3)(10)(15)(24)	Audit rate (1)(8)(15)(16)(18)(19)(20)				
	Penalty cost (7)(8)(15)(17)(19)(23)	Enforcement (23)(26)				
	Strong control during customs clearance (7)(23)					
FIRM-LEVEL	Financial performance (4)	External financing (15)	Company size (2)(4)(15)(16)	Company Sector (15)(16)	Domestic market oriented (15)(16)	Cash transactions (16)
	Age of company (15)	Certification (15)(16)				
	Top Manager's experience (15)					

Source: Author's own elaboration

- 1- Cebula & Feige, 2012
- 2- Ostapenko & Williams, 2016
- 3- Mihóková *et al*, 2019
- 4- Mocanu *et al*, 2021
- 5- Richardson, 2006
- 6- Yalama & Gumus, 2013
- 7- Miskam *et al*, 2013
- 8- White *et al*, 1993
- 9- Kaulu, 2022
- 10- Sipos, 2015
- 11- Kim, 2008
- 12- Ishak & Ali, 2020
- 13- Kassa, 2021
- 14- Athanasios *et al*, 2021
- 15- Pedroni *et al*, 2022
- 16- Abdixhikua *et al*, 2017
- 17- Wentworth & Rickle, 1985
- 18- Palil *et al*, 2016
- 19- Cebula, 2013
- 20- Hashimzade *et al*, 2014
- 21- Riahi-Belkaoui, 2004
- 22- Neck *et al*, 2012
- 23- Gashi & Kukaj, 2016
- 24- Picur & Riahi-Belkaoui, 2006
- 25- Tsakumis *et al*, 2007
- 26- Richardson, 2008
- 27- Vladisavljevic *et al*, 2022
- 28- Ryšavá & Zidková, 2021

None of the investigations established a hierarchy of determining factors, as different samples were used, and none of the studies examined the prevalence of certain determinants over others. However, some determinants were found to be statistically insignificant and were therefore excluded from the results. The thesis concludes with a compendium of practical implications derived from the sample studies, aiming to bring pragmatism and positive contributions to the literature review. This section outlines a series of actionable changes that responsible entities can implement to mitigate the problem of tax evasion.

Regarding study limitations, improvements could be made by increasing the number of databases used for the systematic review. Since the exclusion process was done manually, expanding the number of databases and utilizing more advanced selection mechanisms would benefit from a larger study base. Additionally, including studies in languages other than English and Spanish would provide new perspectives on the issue.

5.2 Opportunities for future research

One of the main goals of a systematic literature review is to identify gaps in the literature and suggest future research topics, thereby making a clear contribution to science. By analyzing numerous articles, it becomes possible to identify specific gaps and view these as opportunities for improvement. These identified gaps then serve as the basis for proposing valuable directions for future research and can be resumed as follows:

Study Variables Related to Enforcement:

- Examine variables such as sanctions, probability of detection, and the effect of compliant peers;
- Utilize reliable cross-country data on tax evasion for comprehensive analysis;

Expand Country Sample Sizes:

- Increase sample sizes for cross-country comparisons;
- Enhance the generalizability of findings by including more countries in the studies;

Improve Survey Methods:

- Develop better survey methods to measure tax evasion and explanatory variables like complexity, education, and fairness;
- Aim to improve the reliability of empirical results and reduce measurement errors, particularly those associated with using the tax gap as a measure of tax noncompliance;

Emphasize Longitudinal Studies:

- Conduct longitudinal studies to examine the impact of changes in key determinants and other variables on tax evasion levels;
- Investigate how different determinants respond over time, especially in studies that started as exploratory;

Consider Additional Factors:

- Investigate the effects of double tax agreements, tax havens, and tax information exchange on tax evasion and evasion intentions;
- Incorporate qualitative methods to gain deeper insights from respondents' perceptions, complementing the typically quantitative variables used;

Address Data Quality Limitations:

- Improve data quality in future research;
- Differentiate among types of taxes to understand their specific impacts on tax evasion behavior;
- Study the effects of transitional reforms on tax evasion;

Advance Understanding and Policy Development:

- Aim to advance the understanding of tax evasion in various contexts;
- Provide valuable insights for policy development, better governance, and overall economic development;

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APPENDIX 1 – Economic Determinants Main Results

Determinants	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	
Economic																													
Tax rate	+					+								+							+		+						
Real Income	-					-															-	-						-	
Interest Rate	+										+									+									
Unemployment rate	+													+					+										
GDP per capita	+										-			-							-								
Economic development					-									-							-		-		-	-			
Business freedom			+/-																										
Financial Freedom			+/-																										
Salary subject to withholding					-			+/-			-																		
Social Security Contributions Burden			-																										
Non-performing loans														+															

APPENDIX 2 – Political-Institutional Determinants Main Results

Determinants	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28
Political-Institutional																												
Tax complexity						+	+		+	+					+			+			+	-		+				
Fairness			-		-					-			-								-							
Rule of Law			-			-							-								-			-				
Efficiency of Government spending			-							-			-	-				-										
Quality of public services					-					-	-	-			-						-							
Control of Corruption Growth			-							-					-									-				
Political instability			+												-													
Audit rate	-							-							-	-		-	-	-								
Penalty cost							-	-							-		-		-				-					
Enforcement																							-				-	
Strong control during customs clearance							-																-					
Proximity to higher evasion rate countries																												+
Serious Crime rate															+							+						

APPENDIX 3 – Socio-Behavioral Determinants Main Results

Determinants	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28
Socio-Behavioral																												
Tax morale		-			-				-	-			-								-			-	-	-		
Trustworthiness of the government												-		-					-							-		-
Power distance																										+		
Feeling of retributions for paying taxes										-				-							-							
Level of general education					-	-																						
Tax information/ awareness									-			-	+								-			-				
Individualism																									-	-		
Role of social networks																		-			-							-
Patriotism																												-
Religiosity												-														-		-
Age	-	+						+																			+	-
Gender																									-		+	-
Uncertainty avoidance																									+	+		
Acceptance of illegitimate behaviors		+																										+

APPENDIX 4 – Firm-Level Determinants Main Results

Determinants	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28
Firm-level																												
Company size		-		+											-	-												
Financial performance				-																								
External financing															-													
Age of company															-													
Certification															-	-												
Domestic market oriented															+	+												
Top Manager's Experience															-													
Cash transactions																+												
Manufacturing sector															+	+												
Hospitality sector																+												
Construction/ Real Estate															+	+												
Wholesale/ Retail															+	+												
Real estate, renting and business services																+												
Mining and quarrying																-												