

## Ethics on Tax Evasion:

### Do Accounting and Business Students' Opinions Differ?

Rosmaria Jaffar@Harun<sup>1</sup>

Mohd Jaffri Abu Bakar<sup>2</sup>

Izah Mohd Tahir<sup>3</sup>

**Abstract:** Ethics on tax evasion has been discussed quite extensively from the theological and philosophical perspective and its impact on the economy. However, very few discuss on the ethical aspects because everyone believes and agrees that tax evasion is unethical. The present study investigates the opinions of accounting and business students related to tax evasion by using a survey instruments consisting of 16 statements. The survey was constructed using a four-point scale and distributed to accounting and business students at Universiti Sultan Zainal Abidin, Terengganu, Malaysia. 51 accounting students and 33 business students participated in the survey. The statements will be ranked to determine which statements are strongest and which are weakest. Scores will be compared between the two samples to determine whether there were any significant differences in opinions regarding tax evasion between accounting students (BAC) and business students (BBA) and also between gender (male and female).

**Key words:** Ethics; Tax evasion; Business and accounting students

## 1. INTRODUCTION

Ethics on tax evasion has been discussed quite extensively from the theological and philosophical perspective and its impact on the economy. However, very few discuss on the ethical aspects because everyone believes and agrees that tax evasion is unethical.

Tax evasion can be defined as an illegal practice where people intentionally avoids paying their tax liability and consequently decreased the tax revenue. In contrast, tax avoidance is the right of all citizens to reduce the amount of taxes they pay as long as it is by legal means.

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<sup>1</sup> Lecturer, Department of Accounting, Faculty of Business Management & Accountancy, Universiti Sultan Zainal Abidin, Malaysia.

Email: rosmaria@unisza.edu.my

<sup>2</sup> Lecturer, Department of Finance & Banking, Faculty of Business Management & Accountancy, Universiti Sultan Zainal Abidin, Malaysia.

Email: mohdjaffri@unisza.edu.my

<sup>3</sup> Ph.D., Associate Professor, Department of Finance & Banking, Faculty of Business Management & Accountancy, Universiti Sultan Zainal Abidin, Malaysia.

Email: izah@unisza.edu.my

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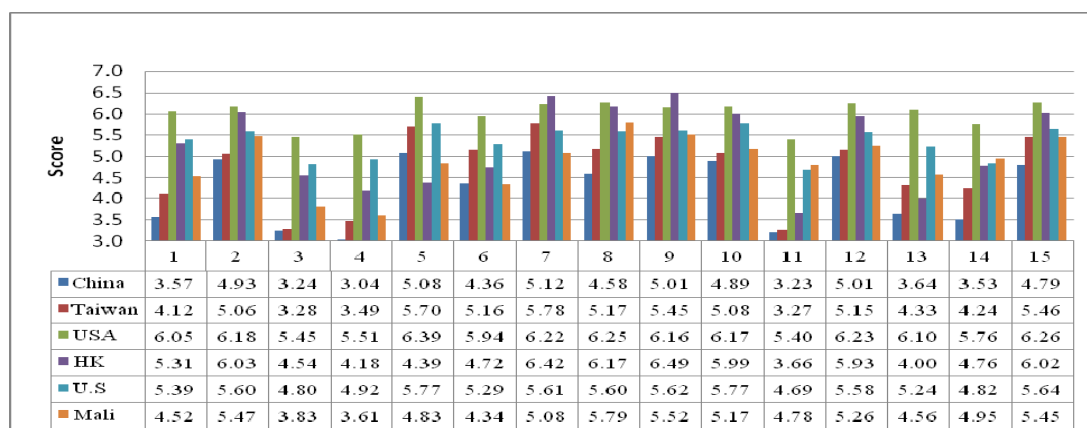
In this study, two different group of students from University Sultan Zainal Abidin (UniSZA) are chosen. These students are those following bachelor of accounting (BAC) and bachelor of business administration (BBA). These two groups of students have different structure of curriculum in their program of study. Accounting students must take taxation paper as a compulsory subject while business students are not.

Therefore, this study aims at examining accounting and business students' opinions in ethics on tax evasion. Specifically, the objectives are as follows:

- (1) To examine the opinions of accounting and business students in ethics on tax evasion
- (2) To investigate whether there were any significant differences in opinions between BAC and BBA students in ethics on tax evasion
- (3) To test whether there were any significant differences between gender on the opinions in ethics towards tax evasion.

## 2. LITERATURE REVIEW

Figure 1 shows the result from previous study that used a survey instrument consist of 15 statements. The study have been made over the past 500 years using a seven-point likert-scale. A score of one (1) indicated the strong agreement with the statement. Seven (7) indicated the strong disagreement with the statement.



**Note:** U.S refers to US business students. 1-15 refers to statements 1-15. 1 = strongly agree; 7 = strongly disagree

**Source:** McGee & Andres (2007), McGee & An (2007), McGee *et. al.* (2008).

**Figure 1: Mean scores from previous study**

From the previous result, the average score between China (Mainland), Taiwan, USA, Hong Kong, U.S and Mali were different. The average score for samples in China (Mainland), Taiwan and Mali were between 4.27 to 4.88. While the average score for Hong Kong, U.S and USA sample were 5.25, 5.36 and 6.00 respectively.

It can be seen that, the study in these different regions have different perception regarding ethics on tax evasion. For example, in China (Mainland) and Mali, the stronger argument is item number 4 (Tax evasion is ethical if a large portion of the money collected is wasted) where the mean score are 3.04 and 3.61 respectively. Other regions like Taiwan, USA, Hong Kong and US their sample chose statement no. 11 as the strongest argument (Tax evasion is ethical if a significant portion of the money collected winds up in the pockets of corrupt politicians or their families and friends).

From the previous finding also, it can be said that the same region under study has different arguments regarding tax evasion. For example in China (Mainland), the finding shows that the different sample (business and economics students and law, business and philosophy students) will result in different ranking of arguments. Both sample chose statement number 11 (Tax evasion is ethical if a significant portion of the money collected winds up in the pockets of corrupt politicians or their families and friends) as

the strongest argument. Therefore, it can be concluded that, the different background of study and courses taken by students will influence their perception regarding ethics on tax evasion.

As a conclusion the different regions will have the different opinions regarding tax evasion. Cultural differences are one of the factors that affect an individual moral decision making.

Many studies are conducted to compare the attitudes of male and female respondents. Most of the studies found that male and female differences were not significant and some found that there is a significant difference between male and female regarding ethics on tax evasion. (McGee and Susana, 2007; McGee and Yuhua, 2007; Kasipillai *et. al.*, 2003).

According to McGee and Yuhua (2007), they found that the difference in education level is insignificant. Their findings contradict to the studies in Korea, Japan and China (Mainland), where the finding shows that the education level will influence the ethics on tax evasion. In other words, they found sample with higher education level are opposed to tax evasion.

However, in another study by McGee and Gelman (2009), found that lower and upper level of education are less evade tax while the middle level are opposed to tax.

### 3. DATA AND METHODOLOGY

This study is carried out to examine the opinions of BAC and BBA students in ethics on tax evasion. This research was undertaken at University Sultan Zainal Abidin, Malaysia. Questionnaires were based on previous research and were distributed to 51 BAC students and 33 BBA students.

The questionnaires were adopted from previous research, with the addition of one item: “Tax evasion is ethical even if I am a Muslim and paid zakat” to encounter students where all are Muslims students. These statements were measured using a 4 –point scale with the following anchors: 1 = strongly disagree, 2 = disagree, 3 = agree and 4 = strongly agree.

A frequency distribution was used to describe the sample. Mean and standard deviations of the statements are also computed. Finally, one-way analysis of variance (ANOVA) procedures were performed to the data set to test whether the mean of the students’ opinions differ by course (BAC and BBA) and gender (male and female).

### 4. RESULTS

#### 4.1 Demographic Profiles of Respondents

A total of 84 students participated in this survey. Figure 2 depicts the profiles of the respondents. Accounting students (BAC) outnumbered business students (BBA), 60.7 percent and 39.3 percent respectively. Of these 82.1 percent are female and the rest (3.6 percent) are male. Majority of the students were doing quite well with Cumulative Grade Point Average (CGPA) of between 3.49 to 3.00 point (47.6 percent) and between 2.99 to 2.50 point (48.8 percent).

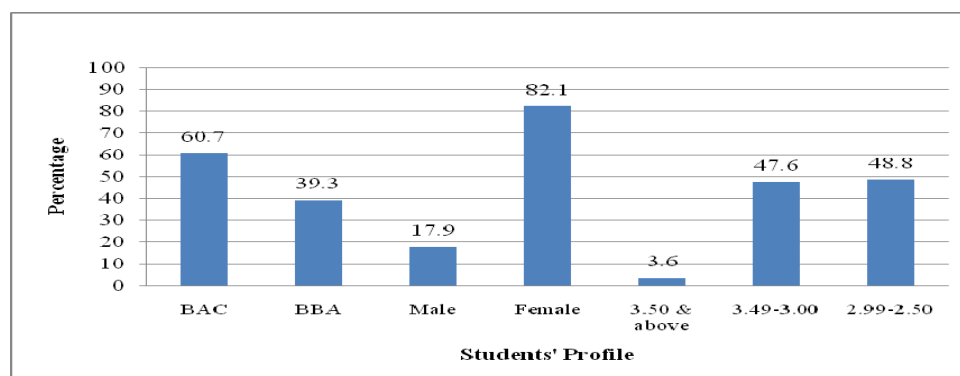


Figure 2: Demographic Profiles of Respondents

## 4.2 Summary of Responses

Table 1 presents the summary of the responses made by both BAC and BBA students. Based on the findings, it is found that BAC students as expected will perceive that tax evasion is never or almost never ethical (the mean score of each individual item are all below 3) with the overall mean of 2.48. On the other hand, BBA students perceived that tax evasion may be ethical under some circumstances and unethical under other circumstances (the mean score of each individual item ranges from 1.67 to 3.64) with the overall mean score of 2.72. However, a closer examination of the statements indicate that both groups believe that tax evasion is unethical under all circumstances (the mean score of each individual item ranges from 1.95 to 3.10, with the overall mean score of 2.57).

We then rank their opinions according to the strongest to the weakest statements. This is presented in Table 2. From the table, it can be seen that there was quite a significant gap in terms of their opinions. They were only commonly agree on Statement 5 (Tax evasion is ethical even if most of the money collected is spent wisely). Otherwise, for other statements there was huge differences in their opinions.

**Table 2: Summary of Responses  
(1 = Strongly Disagree; 4 = Strongly Agree)**

No	Statement	BAC		BBA		Overall	
		Mean	S.D	Mean	S.D	Mean	S.D
1	Tax evasion is ethical if tax rates are too high	2.51	0.612	3.03	0.728	2.71	0.704
2	Tax evasion is ethical even if tax rates are not too high	2.14	0.664	1.67	0.645	1.95	0.693
3	Tax evasion is ethical if the tax system is unfair	2.75	0.935	3.39	0.659	3	0.892
4	Tax evasion is ethical if a large portion of the money collected is wasted	2.61	1.021	3.52	0.667	2.96	0.999
5	Tax evasion is ethical even if most of the money collected is spent wisely	2.49	0.834	2.18	1.131	2.37	0.967
6	Tax evasion is ethical if large portion of the money collected is spent on projects that I morally disapprove of	2.59	0.698	2.97	0.847	2.74	0.778
7	Tax evasion is ethical if a large portion of the money collected is spent on worthy projects	2.59	0.779	1.91	1.042	2.32	0.946
8	Tax evasion is ethical if a large portion of the money collected is spent on projects that do not benefit me	2.63	0.692	2.79	0.74	2.69	0.711
9	Tax evasion is ethical even if a large portion of the money collected is spent on projects that do benefit me	2.53	0.784	2.03	0.918	2.33	0.869
10	Tax evasion is ethical if everyone is doing it	2.29	0.807	2.03	1.132	2.19	0.95
11	Tax evasion is ethical if a significant portion of the money collected winds up in the pockets of corrupt politicians or their families and friends	2.45	1.154	3.64	0.653	2.92	1.143
12	Tax evasion is ethical if the probability of getting caught is low	2.27	0.777	2.67	0.692	2.43	0.765
13	Tax evasion is ethical if some of the proceeds go to support a country which has no diplomatic relation with us	2.16	0.925	3.3	0.77	2.61	1.03
14	Tax evasion is ethical if I can't afford to pay	2.71	0.729	3.06	0.609	2.85	0.703
15	Tax evasion is ethical even if it means that if I pay less, others will have to pay more	2.04	0.445	1.88	0.6	1.98	0.514
16	Tax evasion is ethical even if I am a Muslim and paid zakat	2.9	0.964	3.39	0.899	3.1	0.965
	Average Score	2.48	0.303	2.72	0.281	2.57	0.315

**Note:** BAC = Bachelor in Accounting; BBA = Bachelor of Business Administration. S.D = Standard Deviation

**Table 3: Ranking  
(1 = Strongly Disagree; 4 = Strongly Agree)**

No	Statement	BAC		BBA		Overall	
		Score	Rank	Score	Rank	Score	Rank
S1	Tax evasion is ethical if tax rates are too high	2.51	8	3.03	5	2.71	7
S2	Tax evasion is ethical even if tax rates are not too high	2.14	9	1.67	14	1.95	16
S3	Tax evasion is ethical if the tax system is unfair	2.75	2	3.39	3	3	2
S4	Tax evasion is ethical if a large portion of the money collected is wasted	2.61	5	3.52	2	2.96	3
<b>S5</b>	<b>Tax evasion is ethical even if most of the money collected is spent wisely</b>	<b>2.49</b>	<b>10</b>	<b>2.18</b>	<b>10</b>	2.37	<b>11</b>
S6	Tax evasion is ethical if large portion of the money collected is spent on projects that I morally disapprove of	2.59	6	2.97	7	2.74	6
S7	Tax evasion is ethical if a large portion of the money collected is spent on worthy projects	2.59	6	1.91	12	2.32	13
S8	Tax evasion is ethical if a large portion of the money collected is spent on projects that do not benefit me	2.63	4	2.79	8	2.69	8
S9	Tax evasion is ethical even if a large portion of the money collected is spent on projects that do benefit me	2.53	7	2.03	11	2.33	12
S10	Tax evasion is ethical if everyone is doing it	2.29	12	2.03	11	2.19	14
S11	Tax evasion is ethical if a significant portion of the money collected winds up in the pockets of corrupt politicians or their families and friends	2.45	11	3.64	1	2.92	4
S12	Tax evasion is ethical if the probability of getting caught is low	2.27	13	2.67	9	2.43	10
S13	Tax evasion is ethical if some of the proceeds go to support a country which has no diplomatic relation with us	2.16	14	3.3	4	2.61	9
S14	Tax evasion is ethical if I can't afford to pay	2.71	3	3.06	6	2.85	5
S15	Tax evasion is ethical even if it means that if I pay less, others will have to pay more	2.04	15	1.88	13	1.98	15
S16	Tax evasion is ethical even if I am a Muslim and paid zakat	2.9	1	3.39	3	3.1	1

### 4.3 Analysis of Variance (ANOVA)

Analysis of Variance (ANOVA) was performed to test whether the mean of the students' perceptions in ethics on tax evasion differ by course (BAC and BBA) and gender (male and female). Table 4 presents the results. In the table, we presented only those statements that are significant. There were significant differences in the opinions between BAC and BBA students on 12 statements out of the 16 statements. Four statements i.e S5 (Tax evasion is ethical even if most of the money collected is spent wisely), S8 (Tax evasion is ethical if a large portion of the money collected is spent on projects that do not benefit me), S10 (Tax evasion is ethical if everyone is doing it), S15 (Tax evasion is ethical if it means that if I pay less, others will have to pay more), are not significant at the five percent level.

**Table 4: Ethics on Tax Evasion and Course (BAC AND BBA) of ANOVA**

	Statements	Sum of Squares	df	Mean Square	F	P value
S1	Between Groups	5.428	1	5.428	12.463	0.001
	Within Groups	35.715	82	0.436		
	Total	41.143	83			
S2	Between Groups	4.437	1	4.437	10.286	0.002
	Within Groups	35.373	82	0.431		
	Total	39.81	83			
S3	Between Groups	8.435	1	8.435	12.015	0.001
	Within Groups	57.565	82	0.702		
	Total	66	83			
S4	Between Groups	16.494	1	16.494	20.369	0
	Within Groups	66.399	82	0.81		
	Total	82.893	83			
S6	Between Groups	2.915	1	2.915	5.052	0.027
	Within Groups	47.323	82	0.577		
	Total	50.238	83			
S7	Between Groups	9.241	1	9.241	11.644	0.001
	Within Groups	65.08	82	0.794		
	Total	74.321	83			
S9	Between Groups	4.991	1	4.991	7.096	0.009
	Within Groups	57.676	82	0.703		
	Total	62.667	83			
S11	Between Groups	28.153	1	28.153	28.762	0
	Within Groups	80.264	82	0.979		
	Total	108.417	83			
S12	Between Groups	3.081	1	3.081	5.554	0.021
	Within Groups	45.49	82	0.555		
	Total	48.571	83			
S13	Between Groups	26.321	1	26.321	34.972	0
	Within Groups	61.715	82	0.753		
	Total	88.036	83			
S14	Between Groups	2.521	1	2.521	5.374	0.023
	Within Groups	38.467	82	0.469		
	Total	40.988	83			
S16	Between Groups	4.85	1	4.85	5.493	0.022
	Within Groups	72.389	82	0.883		
	Total	77.238	83			

**Note:** The mean difference is significant at the 5 percent level.

Analysis of variance by gender in Table 5 shows 4 items out of 16 items are significant at the 5 percent level. These items are S1 (.006), S8 (.031), S12 (.016) and S15 (.043). As a whole, we can say that there were no significant difference in opinions between male and female students.

**Table 5: Ethics on Tax Evasion and Gender of ANOVA**

	Statements	Sum of Squares	df	Mean Square	F	P value
S1	Between Groups	3.659	1	3.659	8.004	0.006
	Within Groups	37.484	82	0.457		
	Total	41.143	83			
S8	Between Groups	2.329	1	2.329	4.82	0.031
	Within Groups	39.623	82	0.483		
	Total	41.952	83			
S12	Between Groups	107.559	82	1.312	6.082	0.016
	Within Groups	108.417	83			
	Total	3.354	1	3.354		
S15	Between Groups	45.217	82	0.551	4.231	0.043
	Within Groups	48.571	83			
	Total	40.988	83			
S15	Between Groups	1.077	1	1.077	4.231	0.043
	Within Groups	20.875	82	0.255		
	Total	21.952	83			

**Note:** The mean difference is significant <0.05

## 5. CONCLUSION

This study was carried out to investigate the perceptions of accounting and business students towards ethics on tax evasion. Results suggest that accounting students' opinions were quite different to that of business students' opinions. We believed that one of the reasons why that is so is because business students were not being exposed with the consequences of tax evasion. In Malaysia, students that are exposed to formal tax education at tertiary level are only undergraduate from accounting disciplines or some business discipline. However, the sample of this study of BBA students at UniSZA are not taking any taxation paper. This finding was supported by the study of Kasipillai *et. al.* (2003) where their finding showed that the types of education will influence the attitude of students.

BAC students seemed to believe that tax evasion is never or almost never ethical. On the other hand, BBA students perceived that tax evasion may be ethical under some circumstances and unethical under other circumstances.

Analysis of variance on course showed that there were significant difference in opinions between accounting and business students whereas it appears that there is no significant difference in terms of gender. This finding is supported by the study of McGee and Susana (2007), where they found that there is no significant differences between male and female in United States (USA).

This study is without its limitations. Further research should be carried out to take into consideration a wider scope and more students from different backgrounds.

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