Gender Differences in Judging Tax Evasion

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1. Introduction

Tax morale—an individual's intrinsic motivation to pay their taxes and/or avoid tax evasion [1][2]—is a topic of growing interest in behavioral finance [3] and accounting [4] research as well as the literature on taxation and law [5]. Besides being an intriguing phenomenon in its own right, understanding the factors that influence citizens' tax morale is crucial for improving tax policies, and public policies and societal welfare in general [6]. Tax compliance vs. evasion is also significantly correlated with economic growth [7], and tax evasion is a type of economic crime (refer to [8] for a definition and the types of economic crime). Moreover, it is increasingly important and topical to investigate factors affecting tax morale (vs. evasion), as emerging new technologies such as digital cryptocurrencies provide citizens with new kinds of labor and capital income opportunities, and paying due taxes for these incomes often rests on the conscience of the individual income earner [9].

However, extant literature on cryptocurrencies and the benefits and drawbacks of cryptocurrencies in facilitating tax evasion is inconclusive [10]. Among factors mentioned by scholars as influencing tax evasion in the context of cryptocurrency trading are, for instance, the lack of well-defined tax compliance structure [11] and the easiness of cross-border transactions [12]. Still, extant research on tax evasion in the cryptocurrency context has not yet explored the impact of such factors that are commonly known to influence individuals' tax morale in general, such as gender.

Indeed, recent research on tax morale in general has paid increasing attention to the role of gender differences. Overall, females seem to exhibit a higher tax morale compared to males (e.g., [13][14][15][16]). Furthermore, Hasseldine and Hite [17], for instance, investigated framing effects on tax compliance and found a significant interaction effect between message framing and gender. This demonstrates that gender also plays a role in how messages about tax compliance are processed and acted upon.

Nevertheless, while indicating various gender differences in tax morale, previous studies have fallen short of unpacking the underlying psychographic factors that give rise to those gender differences—whether in general or in the particular context of cryptocurrencies. To address this research gap, the present research asks the following research questions: (1) Are there gender differences in tax morale when it comes to income from a new digital asset, cryptocurrency? (2) Can the gender differences in tax morale be explained by the differences in certain psychographic factors across females vs. males?

As to the psychographic factors, the present research focuses on attitudinal "moral foundations", political orientation (liberalism vs. conservatism), and financial knowledge or literacy. These psychographic factors may be further affected by inequalities in governance systems, which are responsible for the tax crimes within national boundaries and beyond [18]. Of these, financial literacy has been shown to affect many financial behaviors, for instance estimation of the financial values of annuities, participation in investment markets, and risk-taking (e.g., [19][20][21][22]). Also, males have been found to be more financially literate than females, on average (e.g., [23][24][25][26]). Political orientation may also affect financial decision making (e.g., [27][28]), and females are known to be generally more liberal than males [29]. In turn, attitudinal moral foundations are chronic attitudes that individuals hold about fundamental moral values and principles, which in turn guide the individual's moral judgments and behaviors [30]. As such, it is conceivable that individuals' moral foundation values may also affect their tax morale, and individuals of different genders have, on average, different emphases in their moral foundations [31].

2. Gender Differences in Moral Reasoning When Judging the Tax Evasion of Cryptocurrency Traders

2.1. Tax Morale and Gender Differences

Broadly, tax morale refers to the intrinsic motivation and willingness of taxpayers to comply with tax laws and pay their taxes [2]. It is an important factor influencing voluntary compliance with the tax system. Tax evasion involves the illegal nonpayment or underreporting of taxes owed [1].

Overall, research indicates that women tend to exhibit higher tax morale and compliance compared to men (e.g., [13][14][15][16]). For example, a meta-analysis of survey studies from 111 countries found a consistent result: females have more negative attitudes towards tax evasion and view it as less acceptable compared to males, and display greater intrinsic motivation to pay taxes across cultures [15].

However, few studies address the potential reasons for such a gender difference in tax morale, in terms of psychographic factors or traits. In other words, there is little research on whether certain cognitive or attitudinal traits or values—the mean levels of which may differ across genders—may explain the difference in the average tax morale of females vs. males. As an exception, a recent study by Rahmawati and Dwijayanto [13] proposed that the logic behind the tax morales of men and women may systematically differ. In their study in Indonesia, they found that women's tax ethics centered more on moral values, while men focused more on logical reasoning (e.g., likelihood of getting caught for tax evasion). This suggests that gender differences in tax morale may indeed arise from women and men exhibiting different moral attitudes and other psychographic factors when it comes to taxation matters and tax evasion.

2.2. The Alternative Psychographic Variables Explaining the Gender Differences in Tax Morale

2.2.1. Moral Foundations

The first psychographic variables of interest at present are moral foundations. Moral foundations are individual-level, chronic moral attitudes or values on which individuals make moral judgments [32][33][34]. Two main classes of moral foundation attitudes have been identified in previous research [30]. The first class is "binding" moral foundations, which reflect the extent to which an individual morally values loyalty to groups and communities, is committed to moral purity, and respects authorities. The second class is "individualizing" moral foundations, which reflect the extent to which an individual assigns moral value to individual fairness, to the protection of individual rights, and to the avoidance of harm.

Relating to how individuals make moral judgments in general, it is likely that binding and individualizing moral foundations may also be associated with individuals' tax morale and moral judgments of tax evasion. What makes moral foundation values especially interesting to the present research questions is that fact that prior research has observed gender differences in moral foundations as well [35]. That is, when making moral judgments, women appear to draw more on individualizing moral foundations, while men weigh binding foundations more heavily [31]. Related earlier research also indicates that women tend to emphasize care, empathy, and universal welfare in their moral judgments, while men focus on justice, social order, and reciprocity norms more frequently [36].

Given the fact that individuals' moral foundation values likely affect their tax morale as well, and the fact that there are gender differences in their moral foundation values, it is conceivable that part of the gender differences in tax morale could be explained by gender differences in moral foundation values.

2.2.2. Financial Literacy

As a common control variable in behavioral finance research [21][25][27], financial literacy refers to an individuals' knowledge and experience of financial instruments and markets. Studies have found gender differences both in individuals' general financial literacy and in their knowledge of particular financial instruments. Both general financial literacy and literacy about a particular financial instrument could affect an individual's tax morale. For instance, regarding the latter, if the individual is not at all familiar with using an instrument (e.g., cryptocurrency), they may not "know", either, that one should pay taxes for gaining income from that instrument.

With regard to general financial literacy, males have often been observed to have more knowledge and experience of financial markets than females (e.g., [23][24][25][26]). Furthermore, this gender difference tends to become emphasized with more special, high-tech (or 'fintech'), and innovative financial instruments. As such, males have also been found to have higher knowledge and literacy about contemporary financial instruments such as cryptocurrency [37].

Thus, as financial literacy may affect tax morale, and as financial literacy often differs across genders, gender differences in tax morale may also be partly explained by differences in financial literacy.

2.2.3. Political Orientation

Defined as an individual's orientation towards liberal vs. conservative values and political parties, political orientation has also been found to affect individuals' financial judgments and decisions (e.g., [27][38]). Moreover, political orientation has been shown to affect, and interact with, the aforementioned moral foundation values and moral judgments [39]. At the same time, women have often been observed to exhibit, on average, more liberal political values than males [29][40][41]. Thus, since political orientation may affect financial and moral judgments—and potentially also tax morale—and since there are gender differences in the political orientation of individuals, it may be that the gender differences in tax morale are also partly explainable by the gender differences in political orientation.

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