

Religiosity and Tax Compliance: A Practical Study in New Zealand

Renée Nicholson

A thesis submitted in partial completion of the degree
of Master of Commerce in Accounting at the University
of Canterbury,
Christchurch,
New Zealand

February 2019

Supervisor: Mr. Alistair Hodson
Co-Supervisor: Dr. Rob Vosslamber

Abstract

This research explores the role of religiosity in tax compliance. Specifically, the role that religiosity has on tax morale which, in turn, influences tax compliance. The aim of this research is to develop a qualitative understanding of religiosity and tax compliance in New Zealand. Therefore, this study has adopted an interpretivist approach to answer the research questions of the thesis. Twenty in-depth interviews were conducted with various individuals from the categories of small/medium business owners, religious leaders and accountants. Each category was chosen given their varying experiences with religiosity and tax compliance and to reflect the current religious background of New Zealand. The results found that most participants felt that religiosity can have a positive impact on tax compliance; however, considered public opinion was contrary. Although religiosity can be influential on tax compliance, its perceived strength is low compared with other variables such as New Zealand's source deduction (Pay as You Earn) system and civic duty. Using an earlier religiosity definition as a guide, participants felt that intrapersonal religious commitments that arise from a faith and belief in a religion had the greatest impact on the religiosity-tax compliance relationship. However, culture within a religiosity context also had to be considered and is often ignored. Thus, this thesis highlights the role of religious culture in future areas of research. Participants also noted that personal moral beliefs and religious beliefs could be separated as concepts; however, most were uncertain as to how these concepts would be measured. Lastly, participants found that religiosity as a concept could not be measured accurately. However, if religiosity had to be measured, no consensus could be reached, highlighting issues for further religiosity research. These findings have implications in a policy and academic context.

Acknowledgements

I would like to thank everyone who has helped and guided me in this research. Specifically, I would like to thank my supervisors, Alistair Hodson and Dr Rob Vosslamber, for their constructive feedback, advice and input. I would also like to thank my family including my mother, father and grandmother for their guidance and support throughout my life and academic career. Also the Sanson family, for all the support provided in my life and beyond since 2013. I would also like to thank my friends who have been there for me, particularly the Batchelor family. Also, my cousin Cory for his help, his thoughts and honesty when required. Lastly, I would like to thank my husband, Maxwell, for his encouragement and his belief in me during the long and difficult process of thesis writing.

Table of Contents

Abstract	2
Acknowledgements	3
Table of Contents	4
List of Tables	9
List of Figures	9
Key Glossary	10
Chapter 1: Introduction	13
1.1 Background	13
1.2 Research Questions	14
1.3 Importance of Topic	14
1.4 Scope of the Research	15
1.5 Structure of the Thesis.....	15
1.6 Contribution to Knowledge	16
Chapter 2: Theoretical Concepts of Tax Compliance	17
2.1 Introduction	17
2.2 Theoretical Concepts of Tax Compliance	17
2.2.1 Economic Deterrence Approach.....	18
2.2.2 Social Psychological Approach	20
2.2.2.1. Subsequent Development.....	21
2.2.3 Fiscal Psychological Approach	21
2.3 Summary	24
Chapter 3: Review of Tax Compliance Studies	26
3.1 Introduction	26
3.2 Tax Morale	26
3.2.1 Religiosity.....	28
3.2.2 Government Perception	34
3.2.3 Interaction with the IRD	35
3.2.4 Social Norms	36
3.2.5 Personal Moral Beliefs	36
3.2.6 Civic Duty.....	37
3.2.7 Cultural Influences	38
3.3 Threat of Punishment	40

3.4 Tax Compliance Studies within New Zealand	40
3.4.1 Tax Morale	41
3.4.2 Interaction with the IRD	41
3.4.3 Social Influences and Cultural Influences	42
3.4.4 Threat of Punishment	42
3.4.5 Tax Compliance Costs.....	42
3.4.6 Demographic Variables	43
3.5 The Inland Revenue Department’s Position on Tax Compliance and Religion	43
3.5.1 Current Tax Compliance Model.....	43
3.5.2 Fairness of the System/Charities Exemption.....	45
3.5.2.1 Tax Treatment.....	45
3.5.2.2 Customer Treatment.....	45
3.6 Chapter Summary.....	45
Chapter 4: Research Methodology, Questions and Design.....	47
4.1 Introduction	47
4.2 Research Questions	47
4.3 Research Methodology.....	48
4.3.1 Ontology and Epistemology	48
4.4 Method	48
4.4.1 Qualitative Research.....	48
4.4.2 Interviews	49
4.4.3 Interviewees and Selection Criteria.....	50
4.4.4 Interview Design.....	51
4.4.4.1 Social Desirability Bias.....	52
4.4.4.2 Compliance Scenarios/Vignette Questions.....	53
4.4.4.3 Diagrams	53
4.5 Chapter Summary.....	56
Chapter 5: Findings of Interviews.....	57
5.1 Introduction	57
5.2 Face-to-Face Interviews	57
5.2.1 Interviewees.....	57
5.2.2 Data Collection Procedures	59
5.2.3 Data Analysis.....	60
5.3 Face-to-Face Interviews Discussion.....	61
5.3.1 Tax Compliance Definition	61

5.3.2 Religiosity Definition	63
5.3.3 The Relationship between Religiosity and Tax Compliance from Participants	65
5.3.4 Participants' Views on the Public Perception of the Relationship between Religiosity and Tax Compliance	67
5.3.4.1 Fairness of the System/Charities Exemption	68
5.3.4.2 IRD Relationship	69
5.3.4.3 Changing Nature	69
5.3.4.4 Lack of Understanding.....	70
5.3.5 Other Factors that Promote Tax Compliance Seen as Important by Participants ...	70
5.3.5.1 Strong Factors that Promote Tax Compliance	70
5.3.5.1.1 Civic Duty	71
5.3.5.1.2 Source Deduction	71
5.3.5.1.3 Threat of Punishment	72
5.3.5.1.4 Use of Accountant/Lack of Knowledge	72
5.3.5.2 Weaker Factors that Promote Tax Compliance	73
5.3.5.2.1 Social Norms	73
5.3.5.2.2 Culture	74
5.3.5.2.3 Religiosity	74
5.3.6 Factors that Discourage Tax Compliance.....	75
5.3.6.1 Stronger Factors that Discourage Tax Compliance	75
5.3.6.1.1 Fairness of the Tax System	75
5.3.6.1.2 Relationship with the IRD.....	75
5.3.6.1.3 Resource Constraints.....	76
5.3.6.1.4 Self-Employment	76
5.3.6.2 Weaker Factors that Discourage Tax Compliance.....	77
5.3.6.2.1 Government Perception.....	77
5.3.7 Influences of Religiosity.....	77
5.3.7.1 Intrapersonal Religious Commitment	77
5.3.7.2 Intrapersonal and Interpersonal Religious Commitment	79
5.3.7.3 Cultural Influences.....	79
5.3.8 Importance of Culture within Religiosity	80
5.3.8.1 Culture within Religiosity Understanding	80
5.3.8.2 Culture within Religiosity Definition	83
5.3.9 Separation of Religious Beliefs and Personal Moral Beliefs	84
5.3.10 Measurement of Religiosity.....	86

5.4 Chapter Summary	89
Chapter 6: Discussion and Analysis	91
6.1 Introduction	91
6.2 Discussion and Analysis.....	91
6.2.1 Relationship between Religiosity and Tax Compliance.....	91
6.2.1.1 Summary of Findings.....	91
6.2.1.2 Sub-Issues within the Religiosity – Tax Compliance Relationship.....	92
6.2.1.3 Religiosity Directly Influencing Tax Compliance Behaviour	94
6.2.1.4 Religious Perceptions on Non-Religious People’s Perceptions.....	94
6.2.2 Strength of Different Variables on Tax Compliance.....	97
6.2.2.1 Summary of Findings.....	97
6.2.2.2 Strong Positive Effect	98
6.2.2.3 Strong Negative Effect.....	99
6.2.2.3 Weak Negative Effect	101
6.2.2.4 Weak Positive Effect.....	102
6.2.3 Aspects of Religiosity that Influence Tax Compliance	103
6.2.3.1 Summary of Findings.....	103
6.2.3.2 Influence of Culture	104
6.2.3.3 Implications for Future Research.....	105
6.2.4 Is the Association between Religiosity and Tax Compliance beyond Personal Moral Beliefs?	106
6.2.4.1 Summary of Findings.....	106
6.2.5 Measurement of Religiosity.....	108
6.2.5.1 Summary of Findings.....	108
6.2.5.2 If Religiosity Had To Be Measured	109
6.3 Chapter Summary.....	113
Chapter 7: Conclusions, Limitations and Future Research	115
7.1 Conclusions	115
7.2 Contribution to Knowledge.....	117
7.3 Recommendations	118
7.4 Limitations	119
7.4.1 Scope of Research	119
7.4.2 Social Desirability Bias	119
7.4.3 Use of Definitions/Background Limitation	120
7.5 Future Research.....	120

Appendices.....122
References.....131

List of Tables

Table 2.1: Summary of Notable Social-Psychological Theories in Related Tax Literature....	20
Table 2.2: Economic versus Psychology Approaches in Tax Compliance Studies.....	25
Table 3.1: Summary of Potential Religiosity Measures for New Zealand	31
Table 3.2: Summary of Religiosity and Tax Compliance Studies.....	32
Table 3.3: Religious Affiliation in countries discussed in Table 3.2.....	34
Table 5.1: Interviewees	58
Table 5.2: Religious Orientation in New Zealand and Canterbury	59

List of Figures

Figure 2.1: Financial Self Interest Model	19
Figure 2.2: Tax Compliance Model developed by Fischer et al. (1992)	21
Figure 2.3: Strümpel’s (1969) Model of Tax Compliance	22
Figure 2.4: Smith and Kinsey’s (1987) Model of Tax Compliance	23
Figure 3.1: Tax Morale Model.....	27
Figure 3.2: Worthington et al.’s (2003) Religiosity Model	29
Figure 3.3: IRD’s Current Tax Compliance Model.....	44
Figure 4.1: Research Design Outline	49
Figure 4.2: Variables Influencing Religiosity.....	54
Figure 4.3: Variables Influencing Tax Compliance.....	55
Figure 5.1: Data Analysis Diagram in Qualitative Research Applied in this Thesis.....	61
Figure 5.2: Religiosity Diagram Used in Interviews	78
Figure 6.1: Relationship between Religiosity and Tax Compliance.....	92
Figure 6.2: Public Perception of the Relationship between Religiosity and Tax Compliance	95
Figure 6.3: Influences on Tax Compliance Continuum Using Data Results.....	97
Figure 6.4: Tentative New Model Defining Religious Commitment	106
Figure 6.5: Variables Influencing Religiosity.....	111

Key Glossary

Accountant:	A qualified person who is employed to aid a business to comply with their tax obligations.
Census:	A procedure that involves acquiring and recording information on a population. In New Zealand it is conducted every 5 years.
Civic Duty:	Applying personal moral beliefs towards a public concern.
Culture:	The collective programming of the mind which distinguishes the members of one group of society from another.
Demographic Variables:	Personal statistics that include age, gender, race etc.
Economic Deterrence Approach:	The tax compliance approach that requires a tax authority to use law enforcement and sanctions as a way to get taxpayers to comply with tax.
Enforced Tax Compliance:	Taxpayers are forced to conform to tax law through rules and regulations.
Fiscal Psychological Approach:	The tax compliance approach that combines both the economic deterrence and social psychological approaches with recognition of both the law enforcement and behavioural objectives of a taxpayer.
Individual Taxation:	A tax levied on the income of individuals.
Interaction with the Government:	The way taxpayers are treated by a government during their interactions.
Interaction with the Tax Authority:	The way taxpayers are treated by a tax authority during their interactions. In New Zealand, the tax authority is called the Inland Revenue Department (IRD).
Intrapersonal Religious Commitment:	This religiosity dimension focuses on religious attitudes that stem from religious practices and faith.
Interpersonal Religious Commitment:	This religiosity dimension focuses on religious attitudes that stem from interactions among members in a religion.

Perception of Government:	The way the government is perceived by taxpayers from a number of aspects such as trust, equity and fairness.
Personal Moral Beliefs:	A taxpayer's personal values which stem from the rules that an individual has created for themselves outside of social norms.
Religiosity:	The level of an individual's religiousness based on his/her religious activities and beliefs.
Religious Affiliation:	A specific religious group that an individual identifies with (For example: Anglican, Muslim etc.).
Religious Beliefs:	A taxpayer's beliefs that arise as a result of religion.
Religious Culture:	The religious practices/beliefs that are as a result of a cultural influence.
Religious Commitment:	The extent to which an individual is committed to the religion and professes their teachings.
Religious Leaders:	Individuals who are assigned by a religious organisation to lead a congregation.
Small/Medium Business Owners/ Managers	Individuals who either own or are in charge of tax compliance decisions of a business who employs less than 20 people.
Social Desirability Bias:	The tendencies that a person chooses a response they believe are more socially desirable rather than responses that are reflective of their true thoughts or feelings.
Social Interaction:	The perceptions and knowledge of other people's approaches toward managing their tax matters.
Social Psychological Approach:	The tax compliance approach that involves the idea that humans have behavioural objectives that reflect their personal and social norms.
Tax Attitude:	An expression of favour or disfavour of an individual toward taxpaying issues.
Tax Avoidance:	Actions to minimise tax liability within the legal limits of the tax laws and regulations which are not in the spirit of the law.
Tax Compliance:	The extent to which taxpayers comply with tax laws.

Tax Evasion:	Actions to minimise tax liability outside the framework or tax laws and regulations.
Tax Morale:	The intrinsic motivation to pay tax.
Tax Structure:	The structural features of particular taxes such as tax rates.
Threat of Punishment:	The use of sanctions as a threat to deter a non-compliance attitude.
Voluntary Tax Compliance:	Taxpayers are willing to comply with tax laws and accurately report their income and deductions honestly.

Chapter 1:

Introduction

1.1 Background

Tax compliance is a contentious issue for tax authorities with New Zealand losing millions through a tax gap described as the hidden economy (Tax Working Group, 2018). Given the significance of this gap, tax compliance research has developed from traditional economic sanctions to understanding taxpayers' willingness to pay through their behavioural actions. This marks a focus on why taxpayers choose to comply rather than why taxpayers choose to avoid (Mohdali & Pope, 2014). However, in the current environment, tax morale and conditions influencing it such as religion have not had a strong interpretation (Pope & McKerchar, 2011). The study of religiosity as a component of tax moral has recently been developed into a new research area.

Research within this area has been dominated by positivist-survey type research designed to establish if a relationship between religiosity and tax compliance exists. As a result, religiosity has often been defined through the use of the World Values Survey (WVS) which is designed to explore people's values and beliefs, and the impact these values have on society (World Values Survey, n.d.). Seeing issues surrounding the lack of definition with religiosity, Worthington et al. (2003) introduced the concept of religious commitment which is divided into intrapersonal (faith based on personal beliefs) and interpersonal (faith based on social interaction) religious commitment. Mohdali (2013) has then reinforced this previous research by validating the specific influences of intrapersonal religious commitment on tax compliance (Figure 3.2). Despite this, Mohdali (2013) has noted a lack of understanding surrounding personal moral beliefs and religious beliefs as concepts.

Previous research has established that religiosity has a positive influence on tax compliance as religiosity positively influences tax morale which subsequently affects tax compliance. However, most pieces of research have been limited to countries with high percentages of

religious affiliation such as Turkey and Malaysia. Richardson (2008) provided the first research conducted in New Zealand concluding that there is a positive relationship between religiosity and tax compliance. This gives a unique opportunity to investigate the influence of religiosity on tax compliance in New Zealand as most research has not explored why this relationship exists.

1.2 Research Questions

The overall purpose of this topic is derived from Torgler (2003d) in providing an analysis of religiosity as a potential factor that influences tax morale (which is defined as the intrinsic motivation to pay tax), within a New Zealand context. This thesis provides a focus on people's thoughts on the relationship between religiosity and tax compliance rather than looking at whether a relationship exists (as this has been previously established by Richardson (2008)). Therefore, the primary questions to address this purpose are;

RQ 1: What is the public perception of the relationship between religiosity and tax compliance?

RQ 2: How strongly does religiosity impact on tax compliance compared with other variable(s) influencing tax compliance?

RQ 3: Which parts of religiosity influence components of tax compliance?

RQ 4: Is the association between religiosity and tax compliance beyond personal morale?

RQ 5: What do religious people perceive to be the appropriate variable(s) to measure religiosity?

1.3 Importance of Topic

This topic is significant because research trends within the tax compliance area have begun to focus on non-economic factors including social norms (Wenzel, 2004), cultural influences (Alm & Torgler, 2006) and religiosity (Mohdali, 2013). Citing research overseas, it would be important to establish if New Zealand has similar influences on tax compliance. This could be helpful in reducing New Zealand's growing tax gap. With recent changes in government, this could be a time for change in legislation or taxation approaches. Overall, the most substantial way in which this thesis is important is that it addresses gaps in an emerging area of research.

This thesis could be fundamental in establishing religiosity-tax compliance research in low religious affiliated countries.

1.4 Scope of the Research

This study focuses on the issues of tax compliance and religiosity in New Zealand. For some countries around the world, religion makes up a core component of the culture and tax laws. In New Zealand, religious affiliation has been rapidly declining to the point where nearly 50 per cent of the country is irreligious (Statistics New Zealand, 2013). Given this rapid decline, research into religion and tax compliance can be justified to enhance our understanding surrounding the aspects of tax compliance and to try and predict where the nation is heading in the future.

The scope of the research is constrained in that the size and time requirements are limited to the requirements for a Master of Commerce degree. As a result of this, the interviews have been limited to small/medium business owners, accountants and religious leaders. New Zealand's tax structure consists of a Pay as You Earn (PAYE) structure thus making most taxpayers unable to make a tax compliance decision. In contrast, small/medium business owners have obligations and financial constraints surrounding their tax compliance decisions, thus making them optimal candidates to interview. Estimates show that 97 per cent of businesses in New Zealand are small businesses (Ministry of Business, Innovation & Employment, 2014). Many businesses use accountants to accurately meet their business obligations, therefore they also need to be interviewed to get their perspectives. Lastly, religious leaders are also an important group to consider as these are the individuals who have the right to teach their followers what is right within the realms of their religion, essentially representing their congregation.

1.5 Structure of the Thesis

The remainder of this thesis is written in the following method. Chapters 2 and 3 analyse prior literature with Chapter 2 as a spotlight on the theoretical concepts of tax compliance. Chapter 3 talks about the variables surrounding tax compliance including tax morale as well as tax

compliance studies in New Zealand. Chapter 4 outlines the research questions, methods and approach used in this thesis. Chapter 5 presents the information collected from interviews with small/medium business owners, religious leaders and accountants. Chapter 6 analyses and discusses the findings of the interviews including their implications. Chapter 7 concludes the thesis through discussions of major findings as well as limitations and future areas of research.

1.6 Contribution to Knowledge

The research topic of religiosity and tax compliance is an emerging area which is severely limited in its research content, making this thesis a great contribution to the topic as a whole. This thesis was conducted within New Zealand which is a country that is not dominated by one religion. Beyond Richardson (2008), which established a relationship within New Zealand, no other studies have been done in a New Zealand context. Given our unique religious and cultural background, trends in other countries may not be significant here (Walkey & Purchas, 1997). In particular, this will be the first thesis on this topic fully conducted in a country that has no religious association greater than 40 per cent. This will also allow a greater understanding of religion and tax compliance from a New Zealand context.

With the development of research question four, this study is also one of the first that tries to separate personal moral beliefs and religious beliefs into two different components, which have so far been a major limitation in this research area (Mohdali & Pope, 2014). This limitation involves the inherent assumption that personal moral beliefs are fully attributable to religious beliefs. By using an interpretivist approach in asking participants their thoughts and feelings, we are able to separate them further than a survey which has been the dominant method in this research area so far. This study is also one of the few that recognises the differences between intrapersonal and interpersonal religious commitment that were developed by Worthington et al. (2003) and reinforced by Mohdali (2013).

This study also identifies and compares other internal values surrounding taxpayers' perceptions of the IRD, society and relationships with the government as factors of compliance in order to determine if religiosity is an issue that the IRD should think about to solve the issue of tax compliance.

Chapter 2:

Theoretical Concepts of Tax Compliance

2.1 Introduction

The purpose of this chapter is to provide an examination into the underlying theoretical concepts that shape the background of tax compliance research. The review begins with the economic deterrence approach, which leads to the development of the social psychological approach. The focus of the paper is then discovered in the fiscal psychological approach.

2.2 Theoretical Concepts of Tax Compliance

The study of tax compliance research has developed substantially in the last 40 years with a multidisciplinary approach being used from fields including economics, accounting, psychology and law. For the purposes of this thesis, tax compliance has been defined as:

“Compliance with reporting requirements, meaning that the taxpayers file all required tax returns at the proper time and that the returns accurately report tax liability in accordance with the Internal Revenue Code, regulations and court decisions applicable at the time the return is filed.” Devos (2014, p.4)

Tax non-compliance represents a social dilemma in which the short-term self-interest to minimise tax payments is at odds with the collective long-term interest to provide sufficient tax revenue for public goods (Gangl, Hofmann, & Kirchler, 2015).

Originally, the economic deterrence approach dominated as the key to prevent tax evasion (Devos, 2014). This involves the deterrence of tax avoidance by increasing the probability of detection, escalating the tax rate or introducing tougher penalties (Fischer, Wartick, & Mark,

1992). Some studies have substantiated this research (Alm, Jackson, & McKee, 1992a), while others have disagreed suggesting that economic deterrence may only have an impact on a certain group of taxpayers (Mohdali, 2013; Witte & Woodbury, 1985)

Then the focus of research shifted from considering why people pay tax, to considering why people comply with tax (Alm, Sanchez, & De Juan, 1995), with the goal of trying to predict human behaviour (Devos, 2014). This approach involves the consideration of multiple non-economic factors that influence taxpayers in tax compliance rather than the use of monetary factors (Feld & Frey, 2007). Popular factors include social norms (Bobek, Hageman, & Kelliher, 2013), personal norms (Wenzel, 2004) and the development of tax morale (McKerchar, Bloomquist, & Pope, 2013; Torgler, 2003d).

Despite these approaches, a tax gap between the expected and actual tax compliance rate still remained. The fiscal psychological approach was developed that combined the economic deterrence and social psychological approach. This allows a theoretical understanding of the impact of government actions as well as a taxpayers' behaviour and social influences. As a result, much previous research into the economic deterrence and social psychological approaches remains relevant. However, due to weaknesses of each theory, a tax gap remains.

2.2.1 Economic Deterrence Approach

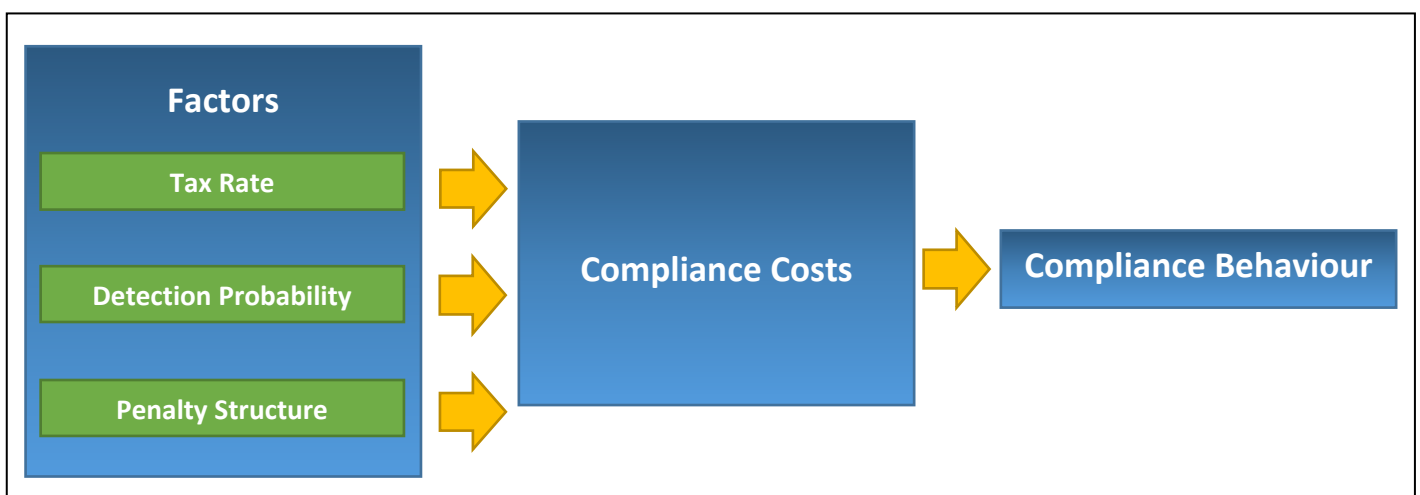
Based on the assumption that taxpayers are seen as rational economic agents who assess the costs and benefits of evading tax in decision-making (Milliron & Toy, 1988; Walsh, 2012), this approach requires that tax authorities use fear to get taxpayers to comply. The foundation began through Becker (1968) who researched the economic considerations behind illegal behaviour. Becker concluded that deterrents such as penalties and sanctions were within the jurisdiction of the tax authorities and society. This meant that tax compliance judgements made by the taxpayer were driven by the fear of being caught and penalised (Alm & McKee, 1998). However, Becker recognised a fundamental limitation in that there was a point where enforcement became uneconomical leading to a social loss.

Allingham and Sandmo (1972) then developed a model with the assumption that taxpayers are utility maximisers who possess knowledge of penalty and detection rates (Devos, 2014). This

pioneering article concluded that an increase in the probability of detection (auditing rates) and/or penalty rates would lead to an increase in income declaration and tax compliance. Subsequent research (Figure 2.1) has highlighted the relationship between audit probability and tax compliance (Fischer et al., 1992). However, some authors disagree with Allingham and Sandmo's (1972) positive relationship surrounding the influences of penalties on tax compliance due to a further understanding of taxpayer behaviour (Graetz, Reinganum, & Wilde, 1986).

Due to these wide-ranging limitations and issues, the economic deterrence approach has undergone many expansions. Contradictions between theory and reality led Graetz and Wilde (1985) to propose a more complex model which suggested lower tax rates and increased auditing would have a positive effect on tax compliance. Jackson and Milliron (1986) concurred that the severity of sanctions does not translate into tax compliance and that the social cost of sanctions may outweigh the benefits. This resulted in the deterrence model being inadequate as the main theory behind revenue collection (Graetz et al., 1986) with suggestions that given the concept of low deterrence and penalties, theoretically, more people should be evading tax compared to reality (Alm et al., 1992a). Therefore, a major weakness of the model is its inability to deal with non-identical characteristics of taxpayers that were discovered with advancing research.

Figure 2.1: Financial Self Interest Model



Source: Fischer, Wartick & Mark (1992, p.3) derived from Becker (1968)

Some exogenous variables (e.g. probability of detection) were recognised as having an influence on the model (Cuccia, 1994). Non-economic factors have been further examined since even in the absence of deterrence, many still comply (Alm et al., 1995). This has led to criticisms that the model failed to consider behavioural factors such as attitudes, perceptions and morals (Lewis, 1982). The behavioural/social psychological approach goes beyond an economics-of-crime approach to more of a social science approach (Alm et al., 1995) which is more applicable to the relationship between religion and tax compliance.

2.2.2 Social Psychological Approach

The social psychological approach involves the idea that humans have behavioural objectives that reflect their personal and social norms (McKerchar & Evans, 2009). This allows for an understanding and prediction of human behaviour. This model is derived from Schmölder's (1959) concept that details how a taxpayer's attitude can be attributed to cultural differences and the design of a tax system. Variables such as stigma, reputation, tax morale and social norms have been researched as having an impact on tax compliance (Ronan & Ramalefane, 2007). As shown in Table 2.1, many previously developed theories have been linked to the social psychological approach in a taxation context including prospect theory (Kahneman & Tversky, 1979) and reasoned action theory (Ajzen & Fishbein, 1980).

Table 2.1: Summary of Notable Social-Psychological Theories in Related Tax Literature

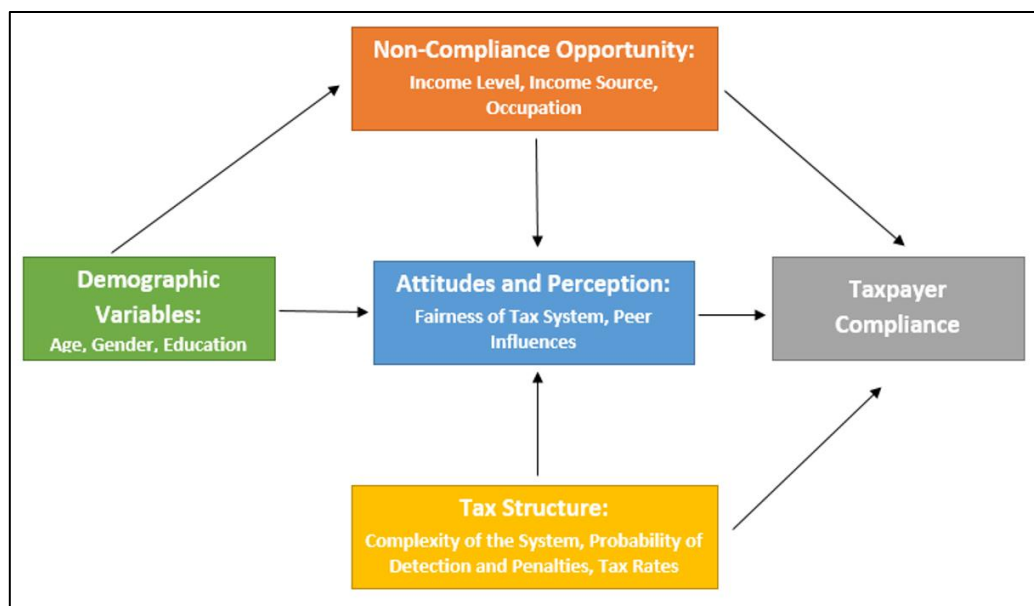
Theory	Synopsis	Studies Conducted
Prospect Theory	Individuals evaluate decisions using a reference point. They evade taxes when faced with a loss compared to a gain	Kahneman & Tversky (1979), Tversky & Kahneman (1981), Chang et al., (1987), Smith & Kinsey (1987), Cox & Plumbley (1988), Robben et al., (1990), Schepaski & Shearer (1995), Kirchler & Maciejovsky (2001), King & Sheffrin (2002), Newell et al., (2007)
Reasoned Action Theory	Individuals base their decision on their behaviour intention which is a combination of personal and social norms.	Lewis (1982), Witte & Woodbury (1985), Kaplan & Reckers (1985), Smith & Kinsey (1987), Hite (1988), Grasmick & Bursik (1990), Reckers, Sanders & Roark (1994), Hanno & Violette (1996), Sandmo (2005), Marandu, Mbekomize, & Ifezue (2015)

Source: Author, adapted from King & Sheffrin (2002)

2.2.2.1. Subsequent Development

Despite substantial advances in explaining the tax gap, there is no definitive explanation that explains why people comply with tax (Alm, McClelland, & Schulze, 1992b). Devos (2014) argued that when the economic deterrence and social psychological approaches are considered separately, substantial weaknesses remain. Fischer et al. (1992) introduced a tax compliance model (Figure 2.2), which blends economic and social-psychological factors to provide the essence of the fiscal psychological approach. This allows the demographic and environmental factors that make up a taxpayer's background to be considered (Fischer et al., 1992). It is within this approach that religiosity is considered an influence.

Figure 2.2: Tax Compliance Model developed by Fischer et al. (1992)



Source: Fischer et al. (1992, p.3)

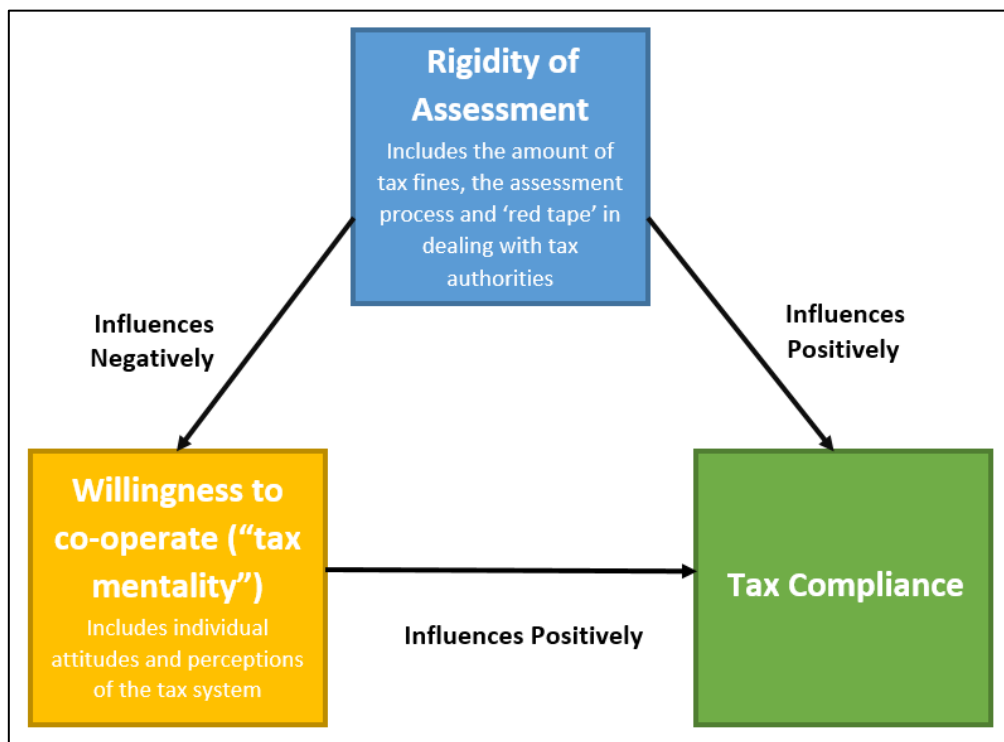
2.2.3 Fiscal Psychological Approach

Schmölders (1959) coined the idea of the fiscal psychological approach which combines the economic and social psychological approaches. He details that taxpayers may be unwilling to comply due to a lack of any perceived gain from compliance in either monetary or social goods. This allows for consideration of how people actually behave in economic situations in order to

understand the influence of many variables including economic issues, government actions and community impact (Damayanti, Sutrisno, Subekti, & Baridwan, 2015).

One of the earliest models was developed by Strümpel (1969) who detailed that rigid enforcement by the tax authorities leads to a decrease in tax compliance (Figure 2.3). Strümpel discusses the two main variables of ‘rigidity of assessment’ and ‘willingness to co-operate’. ‘Rigidity of assessment’ measures the number of fines and the assessment process, while ‘willingness to co-operate’ measures the individual attitudes and perceptions surrounding the tax system. Kinsey (1986) provided a subsequent analysis on this model to conclude that ‘willingness to co-operate’ is positively related to compliance while ‘rigidity of assessment’ has two opposite effects. These opposite effects consist of a positive impact on tax compliance which can be influenced by economic variables such as tax rates, and a negative impact through the ‘willingness to co-operate’ where tax compliance can be influenced by non-economic variables such as the tax process.

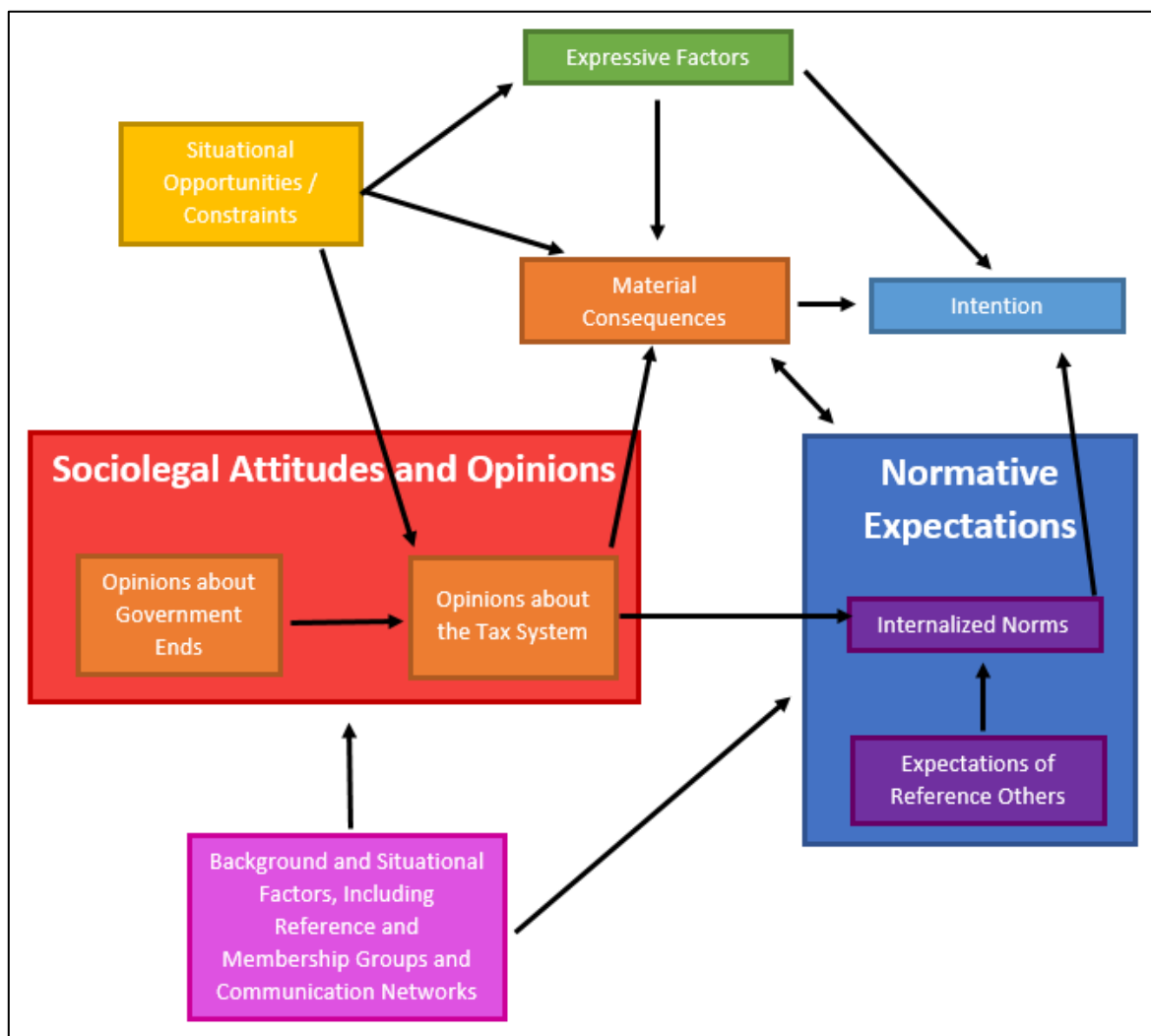
Figure 2.3: Strümpel’s (1969) Model of Tax Compliance



Source: Strümpel (1969) and Kinsey (1986)

Seeing Strümpel's conceptual framework as simplistic, Smith and Kinsey (1987) developed another framework to explain the tax compliance decisions through four factors consisting of material consequences, normative expectations, socio-legal attitudes, and expressive factors (Figure 2.4). Material consequences involve factors such as employment position and sources of income. Normative expectations are moulded from personal and social norms and beliefs. A socio-legal attitude comprises a taxpayer's feelings towards the tax system and the government. Expressive factors involve the emotional cost of having to comply with tax law. Both material consequences and normative expectations directly influence an individual's tax compliance decision while social-legal attitudes and expressive factors have an indirect influence.

Figure 2.4: Smith and Kinsey's (1987) Model of Tax Compliance



Source: Smith and Kinsey (1987, p.652).

Other research has applied the fiscal psychological approach using different parts of this model. Vogel (1974) created a survey on the tax collection process and found that tax compliance issues were attributed to the complexities of the tax system. Normative expectations are relevant as taxpayer ethics need to be considered for tax compliance progress. Spicer and Lundstedt (1976) concluded that tax compliance decisions are made by taxpayers through an assessment of sanctions, attitudes and norms surrounding tax compliance. The theory of inequity has also been applied by Spicer and Becker (1980) and Song and Yarbrough (1978) who determined that when taxpayers were notified that they were paying more tax than a comparative taxpayer, they were more likely to evade. This is likely to be an influence on the socio-legal attitudes if taxpayers are no longer satisfied with the current system.

Recent research on the fiscal psychological approach has produced mixed results due to changes in perceptions of fairness and tax compliance (Devos, 2014). As fairness and its measures are multi-dimensional, they are difficult to interpret and understand as external matters including demographics influence tax compliance. However, many governments promote tax fairness to achieve overall compliance. The New Zealand government has placed focus upon fairness in their broad-based low-rate approach and simplicity measures (Tan & Sawyer, 2003). Fiscal psychology reiterates this by highlighting that belief in the tax system is more influential on tax compliance than penalties (Devos, 2014).

Investigations suggest that demographic variables (e.g. age, gender, and education), attitudes and perceptions (e.g. social norms and fairness of the tax system), non-compliance opportunity (e.g. income level, income source and occupation) and tax structure (e.g. complexity of the tax system) are fundamental to filling the tax gap. This project will use the fiscal psychological approach to provide insight into the relationship between religiosity and tax compliance through tax morale (Schmölders, 1970).

2.3 Summary

The purpose of this chapter was to understand the main approaches in tax compliance and how they have contributed to explaining the tax gap. These findings have been successful in solving part of the tax compliance issue; however further issues remain. Both the economic deterrence and social psychological approaches fail to explain taxpayer decisions. The more recent fiscal-

psychological approach involves an amalgamation of the two previous approaches through consideration of various economic and non-economic variables. Table 2.2 explains the main differences between the two approaches.

Table 2.2: Economic versus Psychology Approaches in Tax Compliance Studies

Tax Compliance	Economic Approach	Social-Psychological Approach
Concept	Tax gap (100% compliance less actual revenue)	Voluntary, willingness to act in accordance with the spirit as well as the letter of the law
Definition	Narrower	Wider
Tax Compliance	Economic rationality	Behavioural co-operation
Exemplified by	Trade-off: 1) Expected benefits of evading 2) Risk of detection and application of penalties 3) Maximise personal wealth	Individuals are not simply dependent, selfish, utility maximisers. They interact according to differing attitudes, beliefs, norms and roles. Success depends on co-operation
Issues of	Efficient in resource allocation	Equity, fairness and incidence
Taxpayer seen as	Selfish calculator of pecuniary gains and losses	Good citizen
Can be termed	Economic approach	Behavioural approach

Source: James and Alley (2002, p.33).

For the purpose of this research, an investigation into different variables of tax compliance using Smith and Kinsey's (1987) model would be beneficial to answer what the most important factors are in tax compliance within New Zealand. This model also allows for consideration of religiosity as a variable of tax morale and tax compliance. Despite the multiple variables that have been discovered as influential in tax compliance research (Jackson & Milliron, 1986), the next chapter will only consider those relevant to exploring the relationship between religiosity and tax compliance within a New Zealand context.

Chapter 3:

Review of Tax Compliance Studies

3.1 Introduction

The purpose of this chapter is to review previous tax compliance studies to understand the factors that can influence the analysis of the relationship between religiosity and tax compliance. The previous chapter detailed the development of the fiscal psychological approach through recognising concepts such as tax morale. This chapter examines the meaning of tax morale as well as discussing other influential compliance variables with differing degrees of importance to the study. These variables are a consolidation of relevant non-economic variables that have an influence on tax morale (including social norms, moral beliefs and religiosity) and economic variables (government perception and IRD interaction) pertaining to tax systems in order to understand why taxpayers comply. This chapter also analyses the impact of religion within a New Zealand context by taking a look at the IRD's tax compliance model. The chapter then concludes by applying those conclusions to previous studies conducted in New Zealand to understand the structure of tax within a New Zealand context.

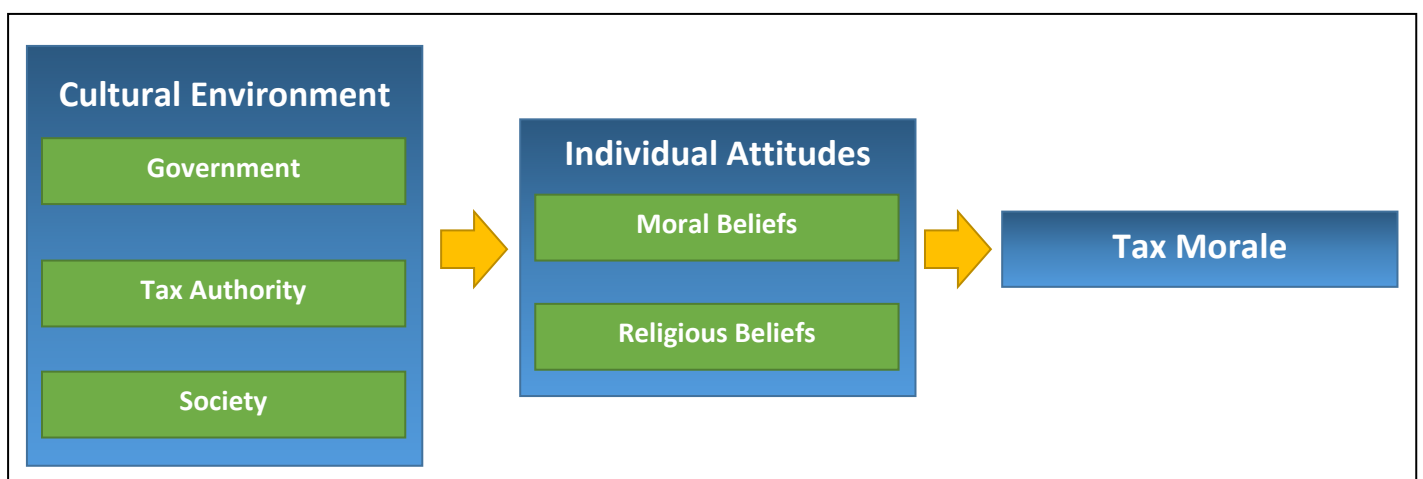
3.2 Tax Morale

With the increase in popularity of the fiscal psychological approach, researchers have introduced tax morale as an element of taxpayer behaviour to explain taxpayers' attitudes towards voluntary tax compliance (Schmölders, 1970). Tax morale has commonly been defined as the intrinsic motivation to pay taxes (Feld & Frey, 2003). The tax morale model has subsequently evolved through the addition of multiple influential elements; however, the definition of tax morale is still open to interpretation (Pope & McKerchar, 2011). This has led to some scholars describing tax morale as a 'black box' as there is no clear depiction of the influences surrounding it (Feld & Frey, 2002a).

For the purposes of this thesis, the influential elements are predominantly defined by the tax morale model from Pope and Mohdali (2010). This model (Figure 3.1), involves a combination of an individual’s intrinsic motivation with their experiences within an external (cultural) environment. According to Frey (2003), the cultural environment is scrutinised on two levels which are represented by a government and the tax authority. Government involves the feeling of satisfaction with the constitutional status of the government and its processes. The second level involves the vindication of the tax authority’s treatment in the politico-economic process. Successive research understood the influence of social norms on the cultural environment of a taxpayer with many articles suggesting a positive relationship between tax morale and social norms (Torgler, 2002). These three cultural environment factors are said to have an influence on individual attitudes.

Individual attitudes include a mixture of personal moral beliefs and religious beliefs that are attributable to a singular taxpayer. Morals have been described as “the principles of right or wrong behaviour” (Oxford Dictionary, 2017). Personal moral beliefs involve those beliefs that are derivable from personal experiences while religious beliefs involve those beliefs that are derivable from religious faith. Research has shown that personal moral beliefs and religious beliefs are difficult to separate (Mohdali, 2013). Overall, research has shown that there is not one dominating factor influencing tax morale (Pope & Mohdali, 2010).

Figure 3.1: Tax Morale Model



Source: Pope & Mohdali (2010, p.570)

3.2.1 Religiosity

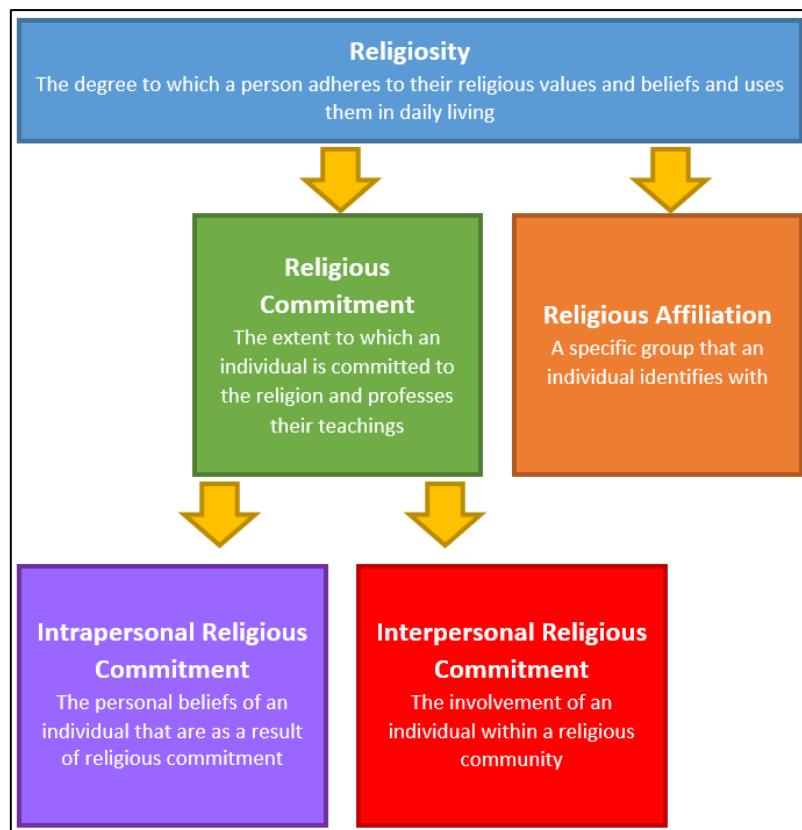
With the consideration of psychological-sociological approaches to tax compliance, non-economic factors including religiosity are receiving consideration. Religion has been defined as the degree to which individuals are committed to a specific religious group (Delener, 1990) with religiosity being described as the degree to which a person adheres to his or her religious values, beliefs and uses them in daily living (Worthington et al., 2003). Religiosity has a similar association to personal moral beliefs; however, this form of moral beliefs comes from a religious motivation (Pope & Mohdali, 2010). Tittle and Welch (1983) were the first to conduct a religiosity study related to taxation. Their findings detail that the characteristics of a religious community have an impact on some deviant behaviours including tax evasion. Subsequent studies conducted in America concluded that religiosity has a negative impact on the inclination to cheat (Grasmick, Bursik, & Cochran, 1991a) and that relationships in religious communities are influential against tax evasion (Petee, Milner, & Welch, 1994). Despite this research, religious studies were highly limited and not popular until after 2000 (Riahi-Belkaoui, 2004). Limited evidence on this topic and the development of theories beyond the economic approach have led to suggestions that social and religious norms need to be included to develop an exhaustive theory of tax compliance. From there religious research has developed internationally and beyond Christianity.

Benno Torgler has contributed heavily to this topic. Initially using Canadian survey data, he concluded that tax morale hinges on a relationship with religiosity (Torgler, 2003a). Torgler then expanded into a cross-country survey over 30 locations to corroborate the previous findings (Torgler, 2006). A larger sample size of 47 countries (including New Zealand) was conducted with the same negative relationship noted (Richardson, 2008). Over time Torgler developed several studies with similar findings in Germany (Feld & Torgler, 2007), Europe (Torgler & Schneider, 2007) and Turkey (Torgler, Demir, Macintyre, & Schaffner, 2008).

Over time, two sub-definitions of religiosity have been developed: religious commitment and religious affiliation. Religious affiliation is the specific religious group that the taxpayer identifies with, e.g. Anglican. However, some have argued that people are influenced by this before birth and in family surroundings (Hirschman, 1983). Religious commitment has been defined as “the extent to which an individual is committed to the religion he or she professes

and its teachings, such that individual attitudes and behaviours reflect this commitment.” (Johnson, Jang, Larson, & De Li, 2001, p.25). From this, Worthington et al. (2003) developed a study (Figure 3.2) that split religious commitment into intrapersonal religious commitment, (the beliefs on an individual) and interpersonal religious commitment (the involvement within a religious community).

Figure 3.2: Worthington et al.’s (2003) Religiosity Model



Source: Adapted from Worthington et al. (2003)

Another study that uses intrapersonal and interpersonal analysis is Mohdali and Pope (2014). This study was designed to scrutinise the impact of intrapersonal and interpersonal religious commitments on voluntary tax compliance; however, some articles have criticised this piece for its use of primary-only data and the failure to recognise opportunities to evade tax with self-employed taxpayers (Benk, Budak, Püren, & Erdem, 2015). Mohdali and Pope (2014) reinforced an affirmative relationship between tax compliance and religiosity as a result of intrapersonal religious commitment.

Research trends show no consistency in the measures of religiosity as many researchers are choosing different (and solitary) variables that suit the nature of their research (Hill & Hood, 1999). The most common measurement involves either the frequency of church attendance or activeness in a church group (Tittle & Welch, 1983). Other measurements include trust in the church (Torgler, 2007), the importance of religion, religious guidance and religious education (Smith, Sawkins, & Seaman, 1998). Alm and Torgler (2006) have measured religiosity and tax morale through the use of one question in hopes of avoiding confusion for participants. Although research has shown that the definition of religion can be broken down into intrapersonal and interpersonal religious commitment, few studies have implemented this approach, thus adding to the confusion over appropriate variables to use.

Other research has suggested the development of a religiosity scale involving multiple questions/measures to make different religions comparable with more reliable results (Kirchler, 1999). There are over 170 scales that have been created with the intention of measuring religiosity (Cutting & Walsh, 2008; Hill & Hood, 1999). Many of these scales have not been used in a tax compliance context, thus allowing for further research. Table 3.1 highlights some religiosity scales that could be implemented in New Zealand and beyond due to their nature of understanding of religiosity and culture.

Table 3.1: Summary of Potential Religiosity Measures for New Zealand

Name	Purpose	Reference
Centrality of Religiosity	<p>Measures the importance of religious meanings in personality through measuring five theoretical dimensions</p> <ul style="list-style-type: none"> - Religious Experience - Public Practice - Intellectual Dimensions 	<p>Huber (2003)</p> <p>Huber & Huber (2012)</p>
Assessment of intrinsic and extrinsic orientation	<p>Designed to be an amended version of the 12-item Quest Religious Orientation Scale which includes items such as</p> <ul style="list-style-type: none"> • I am constantly questioning my religious beliefs • My life experiences have led me to rethink my religious convictions 	<p>Maltby & Day (1998)</p>
Dimensions of Religiosity Scale	<p>Designed to assess an individual's thoughts on religious behaviour, religious guidance, conviction and emotional involvement regardless of religion</p>	<p>DiDuca & Joseph (1997)</p> <p>Joseph & DiDuca (2007)</p>

Source: Author

Most studies find a positive relationship between religiosity and tax compliance; however, there are some which disagree. Welch et al. (2005) found that attitudes surrounding tax evasion within a neighbourhood have a similar effect on people regardless of their levels of religiosity because tax evasion can be perceived as either ethical or unethical within religion. Mc Kerchar et al. (2013) correspondingly found that there is no evidence that supports the idea that religiosity influences tax morale, rather suggesting that personal morals can have a stronger effect. Table 3.2 presents a summary of notable studies examining the relationship between religiosity and tax compliance.

Table 3.2: Summary of Religiosity and Tax Compliance Studies

Study	Method	Sample	Key Findings
Tittle & Welch (1983)	Survey by National Analyst Inc. (Interviews)	1993 within USA	Individual religiosity appears to impact only certain deviant behaviour and the effects are more moderate for tax evasion.
Grasmick et al. (1991a)	Oklahoma City Survey with face-to-face interviews	330 – USA	Religious identity salience and church attendance are found to influence the inclination to cheat on taxes independently.
Grasmick et al. (1991b)	Oklahoma City Survey with face-to-face interviews	330 – USA	People with no religious affiliation were more inclined to cheat on taxes but only with a small difference.
Welch et al. (1991)	Administered survey	2667 – USA	Private and community religiosity have negative relationships with the intention to evade taxes.
Petee et al. (1994)	Administered survey	2667 – USA (stratified)	The threat of informal sanctions in the religious community seems to be effective for inhibiting actions such as tax evasion.
Torgler (2003b)	World Values Survey (WVS)	Canada	Trust in government, citizenship and religiosity have a significant positive impact on tax morale.
Welch et al. (2005)	Administered survey	1885 – USA (stratified)	The perceptions of tax evasion within a community have similar effects on the community members regardless of their levels of religiosity.
Torgler (2006)	World Values Survey (WVS)	30 countries	There is a strong correlation between religiosity and tax morale particularly for Catholics, Hindus, Buddhists and people of another religion compared to people with no religion except for Muslims.
Stack & Kposowa (2006)	World Values Survey (WVS)	36 countries	The higher the level of religiosity, the lower the level of tax fraud acceptability. Tax fraud acceptability is highly approved of by people with no religious affiliation.
Feld and Torgler (2007)	European Values Survey (EVS) & World Values Survey (WVS)	East & West Germany	Tax morale is higher in East Germany compared to West Germany. However, the levels of their tax morale converged strongly after their reunification. Religiosity raises tax morale significantly.
Torgler & Schneider (2007)	European Values Survey (EVS) & World Values Survey (WVS)	Switzerland, Belgium & Spain	Religiosity appears to have an influence on tax morale in Switzerland and Belgium, but not Spain
Torgler et al. (2008)	Taxpayer Opinion Survey (TOS) with face-to-face interviews in Turkey	USA & Turkey	Positive attitudes towards tax authority and tax systems, trust in public officials, the state and other people, and a higher sense of obedience and religiosity lead to higher tax morale. A high level of perceived corruption reduces the willingness to contribute.
Richardson (2008)	The Global Competitiveness Report, World Competitiveness Year Book, Hofstede (2001), World Bank, WVS & World Development Indicators	47 countries including New Zealand	The higher the level of tax evasion across countries, the lower is the level of religiosity. A relationship between religiosity and tax compliance exists in New Zealand.
Torgler (2012)	World Values Survey (WVS)	USA	Religiosity has a strong effect on tax morale.
McKerchar et al. (2013)	Tax Return Data	USA	There is no strong support for the role of religiosity as an indicator of tax morale.
Mohdali & Pope (2014)	Survey with face-to-face interviews	Malaysia	There is a weak but significant relationship with religiosity and tax compliance which is attributable to intrapersonal religious commitment.
Benk et al. (2015)	Questionnaire Survey	Turkey	Only intrapersonal religiosity has a positive influence on voluntary and enforced tax compliance
Eiya et al. (2016)	Cross-sectional survey	Nigeria	The interaction of religiosity and education had a significant influence on tax compliance
Mohdali et al. (2017)	Self-Administered Survey	Turkey & Malaysia	Religiosity can have a significant influence on tax compliance attitudes although some circumstances such as enforced tax compliance make that relationship insignificant.

Source: Adapted and updated from Mohdali (2013)

There are multiple issues with the trends in current research including the use of similar secondary data obtained through large surveys. The most substantial survey (and therefore religiosity measurement) employed within this research field is the World Values Survey (WVS). This survey is designed to cover billions of people through the use of standardised questions involving social, cultural and political changes. These changes extend to exploring data within religion, politics and economics. Religion was measured through characteristics including religious beliefs, religious practices, religious attendance, religious affiliation and perceived religiosity. Seeing this wide-ranging survey as a valuable piece of information, many authors including Torgler (2003c, 2006, 2012) have used this as the basis of research in establishing the relationship between religiosity and tax morale.

Despite their wide usage, there are weaknesses in the use of the WVS with some suggesting it can misrepresent the reliability of participants (Mohdali, 2013). This stems from social desirability bias in that individuals will answer religious questions positively as religion is publicly perceived as good (Regnerus & Uecker, 2007), e.g. over-reporting of statistics including religious affiliation and religious attendance (Hadaway, Marler & Chaves, 1993). The use of WVS surveys as a secondary data resource could also result in misunderstandings surrounding interpretation as these questions were not asked primarily by the researchers.

Others have criticised the WVS for its simplicity in measurement and design. Many religions are assumed to be similar, e.g. the measurement of church attendance within Islamic religions. Muslims are required to pray five times a day at a clean location (BBC, 2009) while Christians are required to attend a church service each week. A lack of similarities between these religions has resulted in difficulties with comparisons of measurement. These difficulties in comparisons can also extend to cultural issues (Mohdali, 2013). The simplicity of measures due to the usage of multiple countries has resulted in assumptions that countries are culturally homogenous (Silver & Dowley, 2000). This allows different interpretations of cultural and religious differences using WVS information.

Many studies were conducted in countries that have high percentages of religious affiliation. There are few studies within countries that do not have high affiliation statistics (e.g. New Zealand). Table 3.2 highlights this disparity and shows that New Zealand is part of a research gap in this perspective.

Table 3.3: Religious Affiliation in countries discussed in Table 3.2

Country	Religious Statistics
United States	Protestant (51.3%), Roman Catholic (23.9%), Mormon (1.7%), Other Christian (1.6%), Jewish (1.7%), Buddhist (0.7%), Muslim (0.6%) Other Religion (2.5%), No religion (16.1%)
Turkey	Muslim (99.8%), Other (0.2%), No religion (0.0%)
Malaysia	Muslim (60.4%), Buddhist (19.2%), Christian (9.1%), Hindu (6.3%), Traditional Chinese (2.6%), Other religion (1.5), No religion (0.8%)
Nigeria	Muslim (50%), Christian (40%), Indigenous beliefs (10%), No religion (0.0%)
United Kingdom	Christian (71.6%), Muslim (2.7%), Hindu (1%), Other (1.6%), No religion (23.1%)
New Zealand	Anglican (13.8%), Roman Catholic (12.6%), Presbyterian (10%), Other Christian (4.6%), Methodist (3%), Pentecostal (2%), Baptist (1.4%), Other Christian (3.8%), Maori Christian (1.6%), Hindu (1.6%), Buddhist 1.3%, Other religions (2.2%), No religion (42.1%)

Source: Author using information from NationMaster (2018)

There are grounds for further research with a New Zealand context. Since Richardson’s (2008) study which established a relationship between religiosity and tax compliance in New Zealand, there has been no study conducted specifically in New Zealand. This area has been dominated by a positivist methodology involving the establishment of a relationship through surveys rather than through an interpretivist understanding into why individuals behave in such a way. This creates a research gap to answer why this religiosity-tax compliance relationship may exist. Factors other than religiosity that affect tax morale have been highlighted including government perception, interaction with the IRD, social norms, personal moral beliefs, civic duty and cultural influences. These will be discussed in turn.

3.2.2 Government Perception

In order to explain tax morale, research has defined the interaction between taxpayers and governments as a psychological tax contract (Feld & Frey, 2007). This contract highlights the importance and influence of trust with the government and tax authorities. It is this trust in government that increases voluntary tax compliance (Murphy, 2004). This trust can be earned through the fulfilment of promised policy (Wallschutzky, 1984), a fair political process (Feld & Frey, 2007) and/or through a perceived equitable relationship between tax rates and public services provided (Alm et al., 1992b).

Research within this field has been consistent in highlighting the importance of trust in the government on tax compliance rates (McKerchar et al., 2013). A cross-cultural study by Frey and Torgler (2007) highlighted that taxpayers in countries with democratic rights are more likely to be compliant while those countries with internal struggles are less likely (Torgler, 2005).

3.2.3 Interaction with the IRD

Along with government perception, the relationship between the taxpayer and the tax authority is part of a psychological tax contract that influences tax morale (Feld & Frey, 2007). This means that a taxpayer's willingness to comply with a tax authority is dependent upon the trust built due to previous experiences (Gangl, Hofmann, & Kirchler, 2012) and if the tax authority is perceived to be unfair or untrustworthy, taxpayers are more likely to evade tax (Feld & Frey, 2002b). Therefore, any tax authority needs to consider its approach carefully in order to enhance tax compliance.

This psychological contract reinforces the shift in taxation research from the economic approach to the social/fiscal psychological approach in that understanding taxpayer behaviour may be more beneficial than audits or fines. A study by Blumenthal, Christian, Slemrod and Smith (2001) detailed the importance of wording when communicating with the taxpayer. Tax compliance increased with a positive letter which highlighted the social contributions of paying tax, while tax compliance decreased with a negatively-toned letter which highlighted the severity of punishment caused by evading tax. Another study by Feld and Frey (2007) concluded that a tax officer's attitude and approachability during communication has an influence on trustworthiness and tax compliance. As the psychological contract is built upon trust, if the tax authority is perceived to be unfair or untrustworthy, taxpayers are more likely to evade tax (Feld & Frey, 2002b). Overall due to the importance of trust, strong communication, helpful employees and strong information exchange services between the tax authority and the taxpayer may be the key to promoting tax compliance.

3.2.4 Social Norms

Social interaction has been a developing concept since Allingham and Sandmo (1972) specified its importance. Social norms have been defined as a pattern of behaviour that is judged in a similar way by others and that therefore is sustained in part by social approval or disapproval (Elster, 1989). Therefore, a taxpayer may observe and internalise values from their surrounding society (Mohdali, 2013). The biggest challenge in this area is the lack of definition between personal and social norms. Reciprocity theory is the underlying theme throughout most social norms research where positive surroundings will lead to positive tax compliance while negative surroundings will lead to negative tax compliance (Fehr & Falk, 2002).

Many researchers have cited peer influence as a significant social norm with those who identify within certain social groups (such as Australian) more willing to comply with tax (Wenzel, 2004). Social norms can extend beyond tax compliance into governmental decisions and policies (Alm, McClelland, & Schulze, 1999), thus highlighting the interlinking process of the tax morale model. This interlinking is reiterated by Alm, Bloomquist and McKee (2017) who subjected their participants to a computer-based experiment with tax compliance scenarios while informing participants of their neighbour's decisions. The result was that a multi-faceted policy approach with the release of public information was critical in encouraging positive social influences and tax compliance.

Social norms have been linked to religion through interpersonal religious commitment which is defined by the involvement of an individual with a religious organisation (Worthington et al., 2003). This means that some taxpayers perceive their social group as a group associated with their religious organisation and it is this group that will have an impact on their decision-making. Overall, individuals are highly influenced by information about how others meet their tax obligations (Torgler, 2004). Therefore, in order for social norms to be influential on positive tax compliance, the right values within society need to be established.

3.2.5 Personal Moral Beliefs

Some have argued that the most influential factor in determining tax compliance stems from the consolidation of a taxpayer's personal values with the values in their society (Bobek,

Roberts, & Sweeney, 2007). Personal moral beliefs within a taxation context have been defined as the rules that have been created by yourself outside of social norms (Wenzel, 2004). The result of this is that a person's tax ethic heavily relates to personality factors such as personal values (Kirchler, 2007). Schwartz and Orleans (1967) drew the foundations of this topic with an experimental study that concluded that a taxpayer's conscience can lead to increased tax compliance. Research has consequently detailed that personal honesty (Porcano, 1988), feelings of guilt (Grasmick & Bursik, 1990) and ethical beliefs (Reckers et al., 1994) are related to tax compliance (Wenzel, 2004). A weakness within this area is that although there are many studies that examine personal moral beliefs and its effects, few studies examine the genesis of personal norms (Feld & Frey, 2007).

Many have argued that personal norms are influenced through social learning and personal experiences, thus resulting in an entwinement of personal and social norms that cannot be separated (Agbi, 2014). Others have argued that personality factors can be described by the 'big five' dimensions (McCrae & Costa, 1990) also referred to as behaviour predictors. Zinowsky (2016) describe these traits as;

- **Openness:** People who like to learn new things and experiences.
- **Conscientiousness:** People who have good impulse control and goal-directed behaviour.
- **Extraversion:** People who obtain energy through social interaction.
- **Agreeableness:** These people have friendly characteristics such as kindness, affection and trust.
- **Neuroticism:** These people have negative emotions including sadness and moodiness.

From a tax compliance perspective, those who are of agreeableness and conscientiousness in nature would be less likely to evade tax (Zinowsky, 2016). Overall, the role of personal norms in taxation is developing and needs to be further explored (Jimenez & Iyer, 2016)

3.2.6 Civic Duty

Civic duty describes that people are motivated by a concern for the wider state or country (Orviska & Hudson, 2002). In a taxation context, civic duty (also referred to as social

responsibility in some articles) is the concept that a failure to pay an appropriate amount of taxes can violate the principles of civic/social responsibility (Cialdini, 1989). Research began with Schwartz and Orleans (1967) who concluded that those who felt the social responsibility of being in a community were likely to comply with taxes. Strümpel (1969) reinforces the role of civic duty by concluding that strong enforcement techniques can alienate taxpayers into not voluntarily complying due to feelings of unfair treatment. Subsequent authors (Etzioni, 1988; Fukuyama, 1995; Kirchler, Hoelzl, & Wahl, 2008; Putnam, Leonardi, & Nanetti, 1993; Slemrod, 1998; Wilson, 1993) have all concluded that moral obligations and trust in society shape a person's civic duty and therefore their relationship between citizens and the state in a positive way.

Modern research has expanded into exploring the role of civic duty on tax advisors (Shafer & Simmons, 2008). Research has also found that civic duty (or lack of it) could negatively influence tax compliance. Frey (1997) and Feld and Frey (2010) found that when government policies are found to be unfair, a lack of civic duty can emerge resulting in a decrease in tax compliance. Isbell (2017) found that civic duty had a direct impact on African people complying with taxes even though they felt a lack of trust in their tax department. These findings also translate into a New Zealand context where Saad (2012) found that perceived unfairness of society can decrease a taxpayer's civic duty leading to a reduction in tax compliance.

3.2.7 Cultural Influences

Cultural influences in relation to tax compliance have been developing since Hofstede (1980, p.25) who defined culture as “the collective programming of the mind which distinguishes the members of one group of society from another.” Hofstede (1984) further defined culture in various pieces of research into various sub-definitions;

- **Power Distance:** Relationship between the taxpayer and authorities.
- **Individualism/Collectivism:** The degree of emphasis the individual places between them and the group they belong to.
- **Uncertainty Avoidance:** Taxpayer's reaction to unknown situations.

- **Masculinity/Femininity:** The extent to which a society stresses achievement or nurturing.

Subsequent research by Hofstede has developed two further sub-definitions;

- **Long/Short Term Orientation:** The choice of focus for an individual's efforts. This is between past or future events (Hofstede, 1991; Hofstede & Bond, 1988).
- **Indulgence/Restraint:** The choice that an individual makes related to enjoying life. This is between gratification and control of basic human desires (Hofstede, 2011; Hofstede, Hofstede & Minkov, 2010).

All of these values have had an influence on tax compliance decisions in multiple cross-country analyses (Tsakumis, Curatola, & Porcano, 2007). In particular, countries with low individualism and masculinity and with high uncertainty avoidance and power distance have greater issues with tax compliance (Tsakumis et al., 2007). These definitions have subsequently been criticised due to their implication that each nation has its own singular culture (Baskerville, 2003; Gernon & Wallace, 1995; Kohn, 1987); however, they remain common definitions in the tax compliance field. Regardless, most research in this field has indicated a significant relationship between culture and tax compliance.

Alm and Torgler (2006) conducted a cross-cultural analysis of over sixteen countries including Switzerland and Austria. They concluded that culture is significant with differences in tax morale attitudes between countries. Richardson (2005) conducted a study between students in Australia and Hong Kong to find that tax compliance differences were caused by variances in cultural values. Halla (2012) conducted a survey to compare US-born taxpayers with US citizens who arrived from foreign countries. A difference was discovered in the compliance nature of the two groups with those who are American-born having higher tax morale. Others have criticised the use of culture in research, arguing that the difference in tax compliance behaviour can be attributed to social norms (Alm et al., 1995). Overall, research in this field is in its infancy and is still continuing to develop.

3.3 Threat of Punishment

As discussed in Chapter 2, despite the move in research towards non-economic factors, most governments still focus on tax audits, penalties and tax rates to discourage tax evasion. This is due to the idea that the threat of punishment is the most effective way to get a majority of society to comply (Evans & Tran-Nam, 2014). Despite the positive relationship between auditing and tax compliance, the strength of the influence lies in the characteristics surrounding the group of taxpayers (Fischer et al., 1992). Using this theory, many governments have designed proposals or legislation with a wide-ranging variety to target vulnerable industries for tax evasion. In 2005, New Zealand specifically proposed a tax amnesty on vulnerable industries; however, this was not brought into power (Sawyer, 2006).

The threat of punishment has a limited impact on those who already have the strong disposition to comply; however this willingness to comply diminishes when people are threatened for a tax crime that they had no intention of committing (Mohdali, 2013). Therefore, governments need to be careful about how they treat the public and to prevent false accusations. Recent research has recommended that tax regulators can nurture compliance by using a combination of regulating formal law with an understanding of feeling and emotion (Murphy, 2008). This is combining both the economic deterrence approach with the social psychological approach to create the fiscal psychological approach.

3.4 Tax Compliance Studies within New Zealand

Due to the fact that international comparisons of tax compliance issues are difficult to make (Evans & Tran-Nam, 2014), an analysis of tax compliance within a New Zealand context is required. Tax compliance studies in a New Zealand context have been limited due to New Zealand's size and the infancy of the topic.

The focus of research on tax compliance is on small-medium enterprises (SMEs) as larger organisations do not face the same compliance burdens as smaller organisations. New Zealand also has a PAYE tax system for individuals which deducts income at source on salary or wages.

The rest of this section discusses notable topics that have arisen from research which heavily correlate with international literature.

3.4.1 Tax Morale

Within most New Zealand studies, tax morale is not specifically mentioned; however the concept of tax morale has been mentioned. Smart (2012) recognises that tax morale is more important for tax compliance than legal sanctions as beliefs and attitudes are good predictors of human behaviour. Hamid (2013) agreed by stating that attitudes towards the intention to comply with tax laws are the most influential factor. Overall, tax compliance is made up of multiple variables (including tax morale) making it difficult to truly solve the tax compliance issue (Wu, 2012).

3.4.2 Interaction with the IRD

The New Zealand government is dedicated to regulatory simplification concerning tax compliance (Evans & Tran-Nam, 2014). It can be argued that the simplified one-size-fits-all approach can have a deterrent effect which leads to complexities in the system (Ma, 2015). These complexities have resulted in substantial costs to the point where business expansion is impossible (Alexander, Bell, & Knowles, 2005). Improvements could be made to increase tax compliance with Rillstone (2015) suggesting that a reward system with an amnesty can be implemented to the tax structure; however, no other studies have been conducted to substantiate this conclusion.

The most common theme throughout this topic is the reliance on clear communication channels. Not only does this change the public perception of the IRD, but it also allows taxpayers to increase their knowledge of tax regulations. Gupta and Sawyer (2015) detail that eligibility rules and business concessions are not well understood by businesses. The improvement in communication can also extend into providing specific concept definitions as well as specifying the consequences of tax evasion (McLisky, 2011). All communication needs to be handled with ethical sensitivity as studies highlight this as an important factor in improving a tax agent's compliance (Hamid, 2013).

3.4.3 Social Influences and Cultural Influences

As New Zealand is a culturally diverse nation, studies have been conducted using different ethnic groups and different social groups. Mataira and Prescott (2010) found that Pacific Island communities have difficulties complying with tax as these cultures rely on oral arrangements rather than bookkeeping. Yong (2011) agreed with this study by emphasising that cultures that focus on numbers and business ethics (e.g. Asian communities) tend to be stronger in tax compliance. This is reinforced by Yong and Martin (2017) who researched the impact of social capital and highlighted different abilities and attitudes to comply with taxes between different cultural communities in New Zealand (i.e. Pacific Island and Asian communities). Within these communities, there is a nexus where businesses need to adapt their cultural values to New Zealand tax requirements, while the IRD needs to be aware of different cultural values. Some research has shown that social norms are important in tax compliance behaviour and can be more effective than legal sanctions in encouraging tax compliance (Smart, 2012).

3.4.4 Threat of Punishment

New Zealand studies concerning the threat of punishment have been consistent with international literature. Gemmill and Ratto (2017) conducted an experiment using 1000 New Zealand taxpayers to examine their intentions to comply with tax. They concluded that differences in penalty information that taxpayers receive and reductions in penalty rates have an influence on compliance. Other studies have argued that attitudes toward legal sanctions and punishments are inconclusive (Smart, 2012). Despite some uncertainty with the threat of punishment, recent research shows that individual behaviour characteristics are also influential on decisions.

3.4.5 Tax Compliance Costs

A general consensus of studies shows that New Zealand tax compliance costs are low compared with other countries although it is the main issue for businesses to deal with (Alexander et al., 2005). Gupta and Sawyer (2015) conclude that tax compliance costs are regressive to the size of the business while Evans and Tran-Nam (2014) also highlight that New Zealand has complicated legislation concerning multi-national firms. Tan (1997) suggests that firms have

the ability to cope with, on average, two filing requirements a month without issues, with Goods and Services Tax (GST) and deductions taking the most time. The hiring of professional accountants and the use of computerised systems can help reduce the costs associated with tax compliance; however many small firms may not be able to afford them (Tan, 1997).

3.4.6 Demographic Variables

Much tax compliance research follows a qualitative methodology with many examples of interviews and legislative data collection. This could be attributed to the shift in focus towards why taxpayers are complying. Most demographic analyses in New Zealand have assessed the likelihood of tax evasion rather than the likelihood of tax compliance. Gupta (2009) conducted an analysis of 315 respondents within the Auckland region. They concluded that for tax evasion to be reduced, the IRD should provide more support for taxpayers who are self-employed, rurally-located, tax professionals, those whose first language is English, those with a low level of education, and men. Birch, Peters & Sawyer (2003) suggest that within tax compliance literature the variables of age, gender, ethnicity, education level, income level, occupation status, work experience and tax return experience need to be examined. Overall, caution needs to be exercised when factoring many variables into tax compliance research as it can be unclear as to the influence of each variable (Richardson & Sawyer, 2001).

3.5 The Inland Revenue Department's Position on Tax Compliance and Religion

3.5.1 Current Tax Compliance Model

The current IRD tax compliance model (Figure 3.3) recognises the need to have the customer at the centre and that characteristics surrounding that individual are influential. These characteristics comprise of the behaviour, principles and activity wheels (Inland Revenue Department, 2015). The behaviour wheel contains the factors that form a customer's behaviour including;

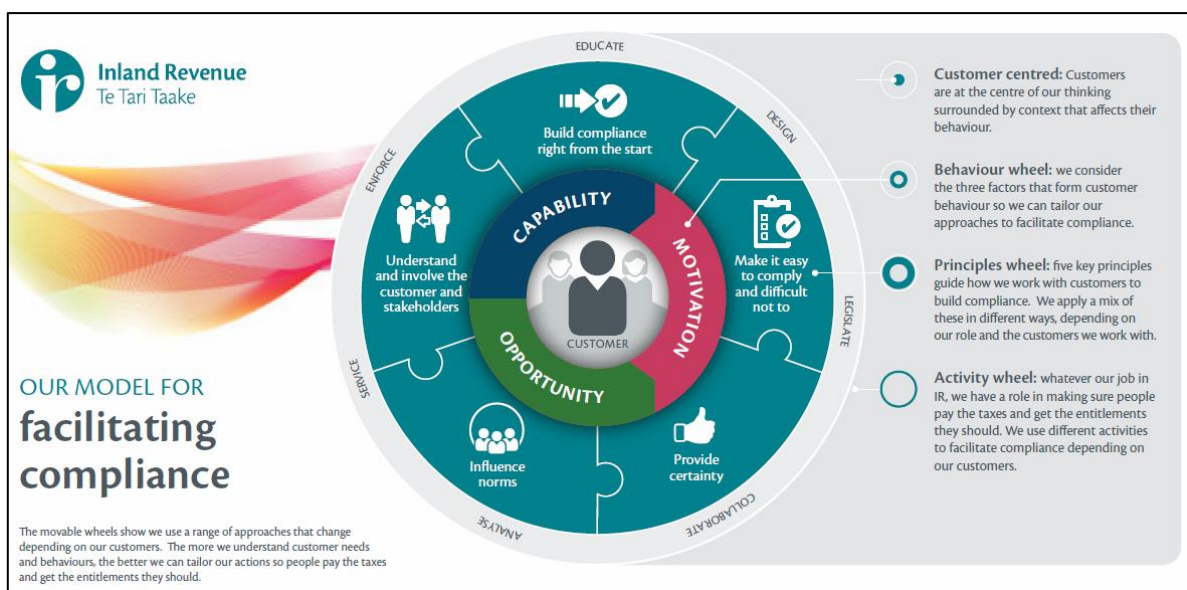
- **Capability:** How the customers can meet their tax obligation through personal knowledge and access to tools.
- **Motivation:** The factors that influence their willingness to comply. This thesis proposes that religiosity would influence a taxpayer through their motivations.
- **Opportunity:** The ease of compliance.

The principles wheel refers to the principles that guide how the IRD works with customers to build compliance (Inland Revenue Department, 2013). These include;

- Building compliance from the beginning
- Making it easy to comply and difficult not to
- Providing certainty
- Understanding and involving customers and stakeholders
- Influence norms

Using this information, the IRD can apply different principles depending on the customer. It is here that the IRD can understand the influences of religiosity through the influence of norms. Lastly, in the activity wheel, the IRD has a role to help people comply with tax. This can be done through the use of different activities – education, design, legislation, collaboration, analysis, service and enforcement.

Figure 3.3: IRD’s Current Tax Compliance Model



Source: Inland Revenue Department (2015)

3.5.2 Fairness of the System/Charities Exemption

3.5.2.1 Tax Treatment

Within New Zealand, the only capacity in which the IRD acknowledges religion is with the tax treatment of registered charities. A religious organisation may be able to register as a charitable organisation under the provision that the organisation has been established to advance religion under the Charities Act 2005. All registered charities may be entitled to an income tax exemption and individuals who make a donation of \$5 or greater to an approved charitable organisation can claim up to one-third of the donation back against income tax. Public pressure against this legislation has led to a petition being launched to Parliament in March 2018 resulting in a review of the Charities Act 2005 (CathNews New Zealand, 2018). The tax exemptions in New Zealand are not due to the religions themselves, but rather their Charitable Registration status.

3.5.2.2 Customer Treatment

Within the last 17 IRD annual reports, the IRD has not mentioned any aspect surrounding customer treatment and religious association. Since 2011, there have been prominent discussions surrounding the IRD and culture stemming from the establishment of the Diversity Governance Group in 2009 (Inland Revenue Department, 2011). In the 2017 Annual Report, the IRD states that they hope to integrate diversity and inclusion focus into their culture and delivery of services with the aim of improving tax compliance. (Inland Revenue Department, 2017). This could include religion as a focus.

3.6 Chapter Summary

Tax compliance is a complicated issue which remains unsolved to this day. Under the fiscal psychological approach discussed in Chapter 2 tax morale is seen as an influence on tax compliance. Although there are many variables that can have an influence on tax compliance, for the purpose of this study variables have been limited to government perception, IRD interaction, social norms, personal norms and religion. Research has remained inconsistent as

to the strength of each variable and its influence on tax compliance. A failure to separate personal norms and religious norms has also been a great weakness in this research area to date.

Although many of these concepts have had substantial development over many decades, the effect of religiosity on tax compliance has not been considered influential until recently. As a result, research into religiosity is still in its infancy. Weaknesses within this research topic include reliance upon the World Values Survey and the lack of a suitable measurement variable for religiosity. Although there are confusions within definitions, there is a substantial amount of research suggesting a positive relationship between religiosity and tax compliance. Most research has used a sample within a country which has a religious affiliated population over 70 per cent, thus creating a research gap in those countries with a low religious affiliation where it has not been measured. As New Zealand is a country with a large 'non-religious' population, this is an ideal country to fulfil that research gap.

Tax compliance studies in a New Zealand context were then examined. Although the understanding of tax compliance is extensive, information within a New Zealand context is low. Despite this, there is enough information to conclude that the most researched area is tax compliance costs. Research shows that they are small compared with other countries but regressive in nature. From there, an investigation into the tax structure has shown that the IRD provides tax exemptions for religious organisations and donations to charitable organisations in an equitable manner. Using the information obtained from the previous chapters, the research design and methodology chosen for this study is explained in the next chapter.

Chapter 4:

Research Methodology, Questions and Design

4.1 Introduction

This chapter explains the research question and summarises the methods employed to answer these questions. As the purpose of the thesis lies in understanding a range of perspectives, semi-structured interviews will be the information collection method. Details of the interviews and interviewees are shown in this chapter along with consideration of the researcher's ontological and epistemological perspective. As the purpose of this research is to understand perspectives, an interpretivist approach will be used. To conclude, the theoretical framework is discussed to help in the clarification of results.

4.2 Research Questions

As discussed in Chapter 1, the purpose of this thesis is adapted from Torgler (2003d, p.3):

To analyse people's thoughts of religiosity as a potential factor that affects tax morale, which we define as the intrinsic motivation to pay taxes, within a New Zealand context

Combining the research gaps in the literature review with the above purpose, this thesis addresses the following research questions:

RQ 1: What is the public perception of the relationship between religiosity and tax compliance?

RQ 2: How strongly does religiosity impact on tax compliance compared with other variable(s) influencing tax compliance?

RQ 3: Which parts of religiosity influence components of tax compliance?

RQ 4: Is the association between religiosity and tax compliance beyond personal morale?

RQ 5: What do religious people perceive to be the appropriate variable(s) to measure religiosity?

4.3 Research Methodology

4.3.1 Ontology and Epistemology

To achieve the person-oriented purpose of this thesis, an interpretivist approach has been chosen. Bryman and Bell (2015) describe this approach as the belief that there are differences between people and objects in natural and social science. As a result, a positivist approach which is underlined by the assumption that the observer is independent of reality (Chua, 1986) is not appropriate. Rather, this author sees social reality as emergent, subjectively created and objectified through human reaction (Chua, 1986). The underlying ontological perspective that drives this research is realism. This is the idea that there is one reality with different understandings or interpretations for the interviewer to learn about (McKerchar, 2010). This approach is appropriate for understanding people's interpretations of a research topic. Therefore, using interviews under a realist-interpretivist paradigm will provide the insights required to fill the gap in religiosity research.

4.4 Method

4.4.1 Qualitative Research

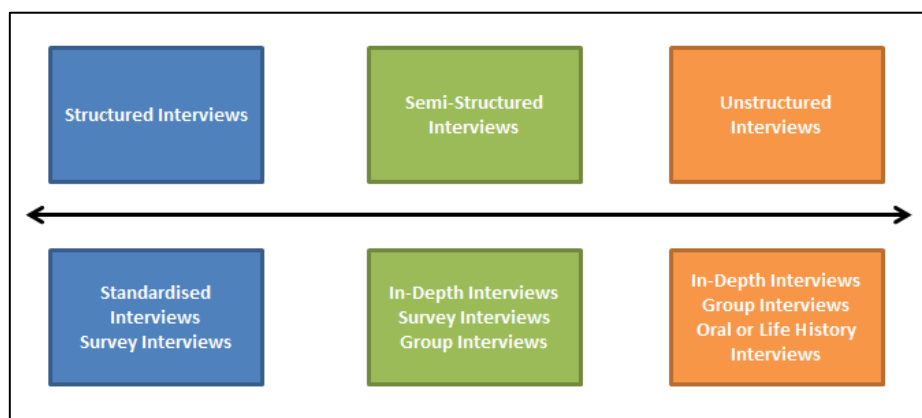
Since the research questions require an assessment of people's thoughts and understandings, a qualitative research approach is appropriate. Qualitative research allows for the recognition of a difference between people and objects of natural sciences by using words rather than numbers (Bryman & Bell, 2015). This allows for trends to be recognised and questions to be answered in a social world that is viewed through the eyes of the interviewees. Given that the focus of this thesis is opinions and thoughts rather than generalised trends, quantitative research would not enhance the usefulness of the information gathered.

4.4.2 Interviews

The method of data collection involved carrying out interviews with accountants, small/medium business owners and religious leaders. Kvale (1983, p.174) defines the qualitative research interview as “an interview, whose purpose is to gather descriptions of the life-world of the interviewee with respect to interpretation of the meaning of the described phenomena.” Therefore, in order to obtain people’s perceptions, meanings and definitions of situations as well as constructions of reality an interview is a powerful method to use (Punch, 2005).

Since the purpose of this research is to explore people’s thoughts on their own social constructs in the light of previous research findings, a semi-structured interview would be most beneficial (Qu & Dumay, 2011). Semi-structured interviews have been defined as a method where the interviewer has an interview guide but is able to vary the form of questions in a way that explores emerging thoughts and ideas (Bryman & Bell, 2015). As shown in Figure 4.1, a semi-structured interview is more flexible than a structured interview and allows room to understand the emerging themes through additional questioning. A semi-structured interview approach allows for the development of critical insights to understand social and linguistic complexities, which should not be seen as a source of interviewer bias but rather as something that needs to be examined (Alvesson, 2003).

Figure 4.1: Research Design Outline



Source: Adapted from Minichiello, Aroni, Timewell and Alexander (1990, p.98)

Face-to-face interviews were chosen as the method of research as they result in the most direct, research-focused interaction between researcher and participant (Kazmer & Xie, 2008). For the purposes of this thesis, face-to-face interviews have been defined as an asynchronous communication method where the interviewer directly communicates with participants with guidance from a prepared questionnaire (Spinter Research, 2018). As a result of direct communication, face-to-face interviews can be cathartic leading to more honest results, particularly with sensitive topics (Elmir, Schmied, Jackson, & Wilkes, 2011). Tax compliance, culture and religion can be considered sensitive issues for participants (Mohdali, 2013). Therefore, a respectful, unbiased and understanding approach needs to be provided by the researcher in order to obtain truthful results. This understanding was achieved by researching a participant's religion and/or business prior to the interview to prevent any misunderstandings. No personal opinions were given by the researcher during the interview process, rather affirmative cues (nodding and indicating understanding) were used. Human Ethics approval was granted on 10 April 2018 (Appendix 1).

4.4.3 Interviewees and Selection Criteria

A mixture of generic purposive sampling and snowball sampling has been used. Purposive sampling is a non-representative sample where it is constructed for a significant need or purpose (UC Davis, n.d). In this case, the specific focus is the religious community of New Zealand rather than the New Zealand population as a whole. Within that religious community, small/medium business owners, accountants and religious leaders were interviewed, as these are the people who would be able to answer the research questions. Further participants were recruited through snowball sampling which is a way in which participants are asked to suggest a person who may be appropriate for this study (UC Davis, n.d). Theoretical saturation occurred at 20 interviews. Theoretical saturation meant that no new data or trends are likely to emerge from additional interviews (Guest, Bunce, & Johnson, 2006).

Small/medium business owners/managers were selected as they face tax compliance decisions. Due to New Zealand's source deduction (PAYE) system, salary/wage earners do not have any choice over their tax compliance decisions, thus making business owners/managers optimal to interview. Estimates show that 97 per cent of businesses in New Zealand are small businesses (Ministry of Business Innovation & Employment, 2014). Large businesses also do not face the

same financial constraints as their smaller counterparts, hence the limitation to small/medium businesses. Many businesses use accountants to accurately meet their business obligations, therefore accountants were considered for their potentially different opinions and industry experience. Lastly, religious leaders were also considered as these are the individuals who have the right and experience to teach their followers within the realms of their religion. Essentially, they are representing their congregation.

In order to interview accountants, small/medium business owners/managers and religious leaders, definitions must be considered. Multiple academic studies have contrasting definitions as to what an accountant, small/medium business owner/manager and a religious leader actually are. For the purpose of this thesis, an accountant is a qualified person who is trained in bookkeeping and in preparation, auditing and analysis of accounts (Business Dictionary, 2018). A small/medium business owner/manager is defined as an individual who either owns or is in charge of the tax compliance decisions of a business that employs less than 20 people (Ministry of Economic Development, 2011). A religious leader is defined as an individual who is recognised by a religious body as having some authority within that body (Your Dictionary, 2018).

For the purposes of this thesis, religious small/medium business owners/managers, religious leaders and accountants were considered to be part of the same homogenous group (Patton, 2002; ThoughtCo, 2018). This is due to the similar critical knowledge similarities to the research questions (McCracken, 1988), mainly arising from religious beliefs. Religious leaders and religious small/medium business owners/managers were able to discuss their thoughts on the topic through their beliefs and experiences as a result of religion. Although some of the accountants themselves were not religious, they were able to give an outside opinion on the topic from their perceptions resulting in an overlapping of knowledge. As a result, all three categories were given the same research questions and compliance scenarios.

4.4.4 Interview Design

In keeping with the semi-structured nature of the interviews, open-ended questions, which included the use of seven tax compliance scenarios, were prepared (Appendix 2). These questions ensured that all research questions were addressed; however, the nature of semi-

structured interviews allowed for deviations as to what the participant considered applicable. The compliance scenarios were designed to help participants to relax and to encourage them to apply concepts discussed in the interview, to the real world. Factors considered when designing the questions included:

- Social Desirability Bias
- The design and use of compliance scenarios
- The design and use of diagrams

These are discussed in turn.

4.4.4.1 Social Desirability Bias

Due to a focus on religion, social desirability bias may negatively impact data gained. Social desirability bias has been defined as;

“The tendency that research subjects choose responses they believe are more socially desirable or acceptable rather than responses that are reflective of their true thoughts or feelings” (Grimm, 2010, p.2).

The effect of social desirability in terms of religion is that the public perceives that people who are involved in religion are ‘good’ people. Because these people are perceived as ‘good’, the public has trouble believing that they would commit crimes.

In application to this thesis, studies by Sudman and Bradburn (1983) concluded that questionnaires work better than interviews in order to reduce social desirability bias. Although interviews are not as effective as surveys and focus groups in reducing social desirability bias and other problematic issues, it is rare for social desirability to cause substantial issues in data sets (Collins, Shattell, & Thomas, 2005). Therefore it is best to reduce social desirability bias as much as possible through (Barriball & While, 1994):

- Interviewer self-presentation
- Lack of information about intent
- Full use of interactive opportunities
- Neutral task responses

Appropriate dress, etiquette and manner can help reduce the tensions between the interviewer and the participant (Denzin, 1989). Consequently, all interviews were conducted in a professional manner through being dressed in a business manner. At the beginning of the interview, all participants were informed of their rights and were given the opportunity to stop the interview at any time. All participants were also informed of the thesis topic; however, participants were not informed as to the intent of predictions with the study. This allowed all participants to give their honest opinions without the risk of being judged.

4.4.4.2 Compliance Scenarios/Vignette Questions

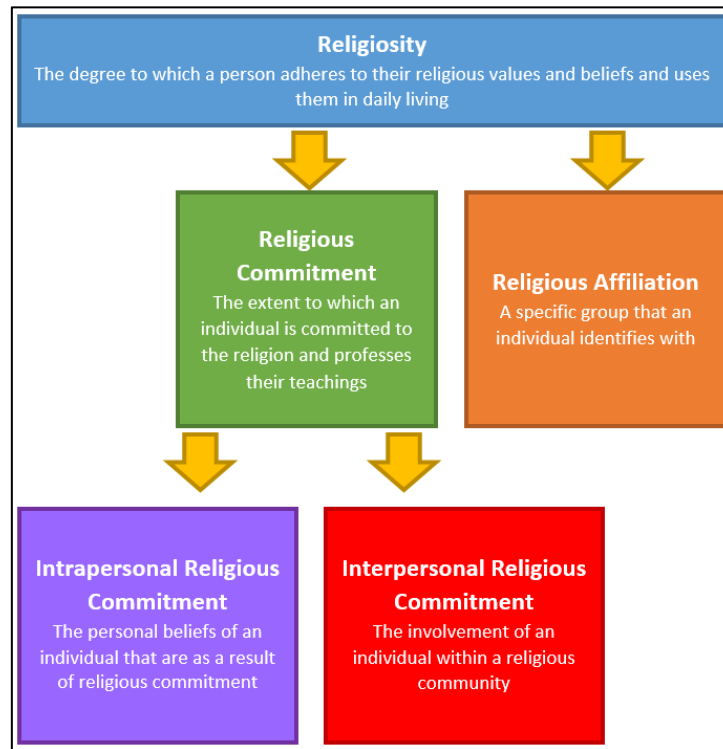
Interactive opportunities can be maximised by probing potential themes and ideas. Semi-structured interviews allow for probing by establishing rapport and the reducing of the risk of socially desirable bias (Patton, 1990). These interactive opportunities help to reduce tension and promote conversation (Albuam, 1993).

To encourage interactive opportunities, participants were given seven vignette questions involving tax compliance scenarios to promote conversation (Appendix 2). A vignette describes an event or scenario, the wording of which is experimentally controlled by the researcher (Lavrakas, 2008). The topics discussed included religion, cultural identity, voluntary experience/donations, tips and family pressures. All participants were asked to explain the motivations and reasoning behind their answers to confirm understanding.

4.4.4.3 Diagrams

Using past research as a guide, two diagrams were designed in order to explain information clearly. The first diagram (Figure 4.2) explained the definitions and sub-definitions of religiosity using past research by Worthington et al. (2003). This was placed in a diagram as this definition is not common knowledge. The second diagram (Figure 4.3) outlined the variables surrounding tax compliance (discovered in the literature review). The use of diagrams can help with the flow of interviews as well as increase information retention and understanding (Copeland & Agosto, 2012).

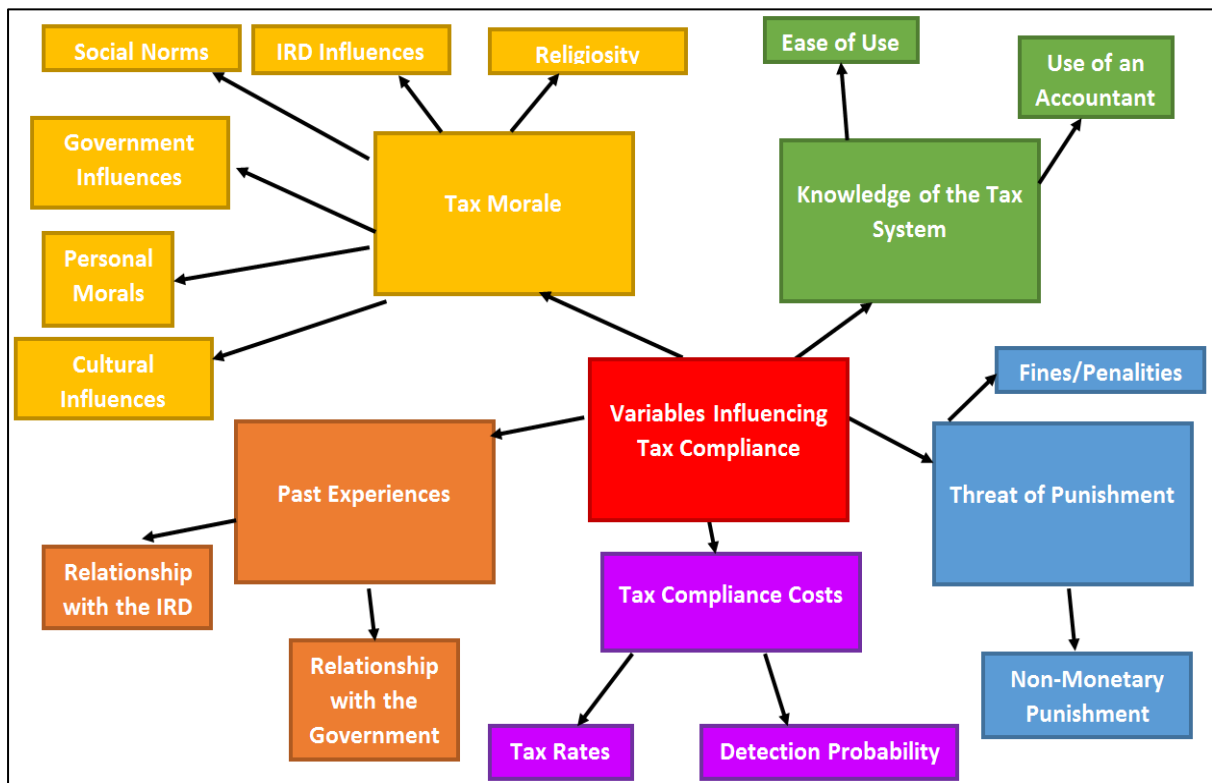
Figure 4.2: Variables Influencing Religiosity



Source: Adapted from Worthington et al. (2003)

To begin, all participants were asked about their understanding of the terms 'religiosity' and 'tax compliance'. From there, the general definition and sub-definitions of religiosity (displayed in Figure 4.3) were explained to the participants. Participants were then asked if they could relate each sub-definition (such as intrapersonal religious commitment) to their own experiences.

Figure 4.3: Variables Influencing Tax Compliance



Source: Author

Early in the interview, participants were asked what influences made them comply with tax. Once answered, participants were then subsequently shown the diagram (Figure 4.3). Participants were then given an explanation of the diagram to ensure clarification. When an answer previously given matched an area of the diagram, this was explained to the participant. For example, if a participant stated that they complied with tax due to fear of being penalised, they were told their answers fell into the blue ‘Threat of Punishment’ category. Participants were then asked if any of these subsequent variables had any influence over their tax compliance decisions. The diagram was shown after initial questioning to prevent any outside bias towards a certain answer. However, the diagram was shown in the interview to give further context to the participant as well as potentially remind and educate participants on different influences over tax compliance.

4.5 Chapter Summary

This chapter provided a detailed summary of the methodology used in this thesis. As this thesis has the aim of understanding why the relationship between religiosity and tax compliance exists, research shows that an appropriate approach is interpretivist. Using the research questions as a guideline, an interview guide was designed including questions and compliance scenarios. Participants were selected by a combination of purposive sampling and snowball sampling. The next chapter details the findings of the research.

Chapter 5:

Findings of Interviews

5.1 Introduction

This chapter presents the findings of data arising from the face-to-face interviews. The interviews were analysed to reveal common themes and views.

5.2 Face-to-Face Interviews

5.2.1 Interviewees

As discussed previously, face-to-face interviews were conducted with accountants, small/medium business owners and religious leaders. Listed in Table 5.1 are all the participants. Many of the participants were over the age of 50. Business owners tended to be older, managers tended to be younger. Although accountants, religious leaders and small/medium business owners and managers were categorised separately for analysis, many of these categories overlap. A variety of occupations (noted, for example, as plumber and farm manager) were also used to be inclusive. Although Christianity is dominant, it represents New Zealand religion in which Christianity dominates. Despite the domination of Christianity, other religions such as Islam, Hinduism and Buddhism were also included. All of these participants interviewed were from the Canterbury region. This was due to restrictions of the interviewer's time and the fact that Canterbury census statistics show a similar trend to national census statistics, thus showing a reflective sample of the nation to measure from. This similar trend is shown in Table 5.2 which highlights religious orientations in New Zealand based on census data.

Table 5.1: Interviewees

#	Reference	Occupation	Gender	Age	Religion
1	Accountant A (also an owner)	Self-Employed Accountant	Male	50-65	Not Religious
2	Accountant B (also a manager)	Accountant and Charity Director	Male	40-49	Catholic
3	Accountant C	Accountant	Female	40-49	Buddhist
4	Religious Leader A	Religious Worker	Male	50-64	Other Christian*
5	Religious Leader B	Social Worker	Male	18-24	Anglican
6	Religious Leader C	Religious Worker	Male	65+	Christian – Japanese
7	Religious Leader D	Religious Worker	Female	40-49	Christian – Pacific Islander
8	Religious Leader E	Religious Worker	Female	50-64	Jewish
9	Owner A	Office Manager	Male	18-24	Agonistic/ ** Presbyterian
10	Owner B	Charity Manager	Male	40-49	New-Age **** Christian
11	Owner C	Orthodontist	Female	50-64	Catholic
12	Owner D (also a religious leader)	Teacher and Property Manager	Male	50-64	Anglican
13	Owner E	Plumber	Male	65+	Catholic
14	Owner F	Mechanic	Male	50-64	Evangelist / Pentecostal
15	Owner G	PBE manager	Male	25-39	Muslim
16	Owner H	Store Manager	Female	25-39	Hindu
17	Owner I	Self-employed lighting manager	Female	25-39	Presbyterian
18	Owner J	Engineering consultant	Male	50-64	Muslim
19	Owner L	Beauty Therapist and Student	Female	25-39	Christian
20	Owner M	Farm Manager	Female	18-24	Buddhist

* For the purposes of matching census data, was classified as Other Christian.

** Participant grew up as a Presbyterian but now classifies themselves as agnostic

*** For the purposes of matching census data was classified as New-Age Christian

Table 5.2: Religious Orientation in New Zealand and Canterbury

Religion	New Zealand	Canterbury	Difference
Anglican	11.79%	13.77%	+1.98%
Catholic	12.61%	11.84%	-0.77%
Presbyterian	8.47%	8.97%	+0.5%
Other Christianity	15.14%	12.24%	-2.90%
Hinduism	2.11%	0.74%	-1.37%
Buddhism	1.50%	0.92%	-0.58%
Islam	1.18%	0.57%	-0.61%
Other Religions	1.53%	0.89%	-0.64%
No Religion	41.92%	41.56%	-0.36%

Source: Statistics New Zealand (2013)

After 20 interviews, theoretical saturation of information occurred where no new data was emerging from additional interviews (Guest et al., 2006). Therefore for the purposes of this research, there was no need to interview more people (Treviño, den Nieuwenboer, Kreiner, & Bishop, 2014). The 20 interviews conducted were beyond the 12 interviews that are recommended for any qualitative-based project (Guest et al., 2006).

5.2.2 Data Collection Procedures

The selection was conducted both randomly and through snowball sampling. Once Ethics Committee approval was granted, 50 people in total were randomly approached, given details about the interviews and asked if they were interested in participating. For small/medium business owners/managers, random selection was controlled by approaching random businesses throughout Christchurch. For accountants, the selection was controlled by searching ‘Accountants Christchurch’ on Google. Five accounting firms were randomly selected and approached. For religious leaders, the selection was controlled by searching ‘religions in Christchurch NZ’ on Google. Eight religious organisations were randomly selected and approached.

If a person expressed an interest in participating, their email address was obtained for contact and they were provided with an information sheet (Appendix 3) which included the researcher’s contact details. During this stage, people were asked if they knew anyone else who might be interested in participating (snowball sampling). If their answer was positive, they

were given an extra information sheet to give to the suitable participant. This gave an opportunity for further participants to understand the interview requirements while not giving me someone else's personal details until they were interested in participating. These two participant selection methods were chosen as the topics of religiosity and tax compliance are of a sensitive nature and the personal approach would be best to ensure confidentiality. Snowball sampling was particularly chosen to ensure that those people being approached were appropriate to be interviewed.

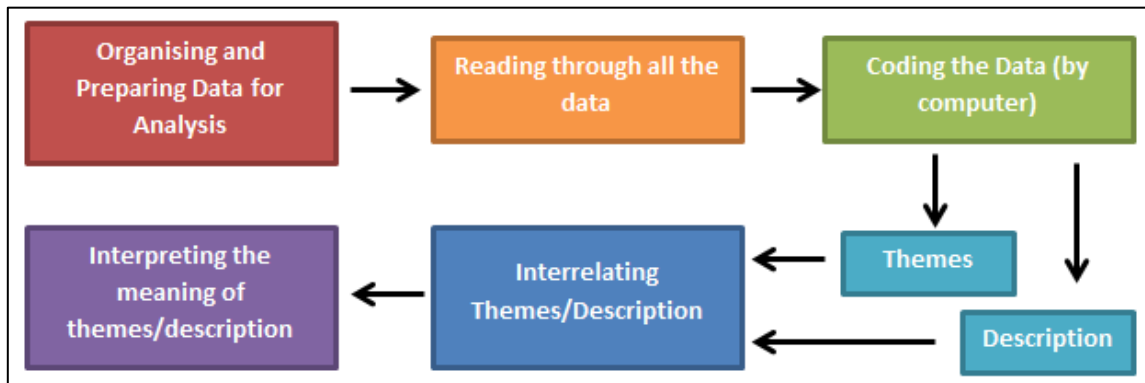
In total, 20 participants e-mailed back to explain their interest in participating. 15 were obtained via random selection and five via snowball sampling. This comprised of five religious leaders, three accountants and twelve business owners/managers. Brief information sheets containing the topic coverage, research questions, duration of the interview and assurance of confidentiality were explained in the e-mail. Dates, times and venues were set accordingly. Prior to the commencement of the interviews, participants were given and reminded of the material in the information sheet and asked to sign a consent form (Appendix 4). All participants agreed to be audio-recorded and they were aware of their right to withdraw at any stage of the process. Audio-recording is important so that all relevant data can be transcribed in a faster way so that all vital details are analysed. This increases the legitimacy of the data gathering process as it is not solely reliant upon note-taking which can be intrusive (Oltmann, 2016). The duration of each interview was between 45 and 65 minutes.

5.2.3 Data Analysis

Within 24 hours of each interview, all audio-recordings were confidentially backed-up onto the University of Canterbury computer server. All interviews were then transcribed into a Word document which was also secured on the same server. Once all 20 interviews were completed and transcribed, all documents were analysed to identify similar and conflicting themes, descriptions and trends using NVivo. NVivo is a qualitative data analysis software package which was selected as qualitative data analysis requires a combination of understanding, examining and interpreting patterns and themes (Mohdali, 2013). The use of NVivo allowed for faster analysis of information and may have helped identify themes that would perhaps have been missed through physical data investigation. These themes and descriptions were

interpreted and compared to the prior literature to form conclusions. The conclusions were then applied to answering the research questions.

**Figure 5.1: Data Analysis Diagram in Qualitative Research
Applied in this Thesis**



Source: Adapted from Creswell (2009)

Verbatim quotes are used in this study as they reveal added understanding of participants' thoughts, experiences and basic perceptions.

5.2.3.1 Strong/Weak Definitions

Part of the data analysis requires an examination into 'strong' and 'weak' variables on tax compliance. The strengths of different variables were assessed using the frequency and intensity in which participants mentioned the variable. Stronger variables were either mentioned more often or had a greater intensity amongst participants or a combination of both.

5.3 Face-to-Face Interviews Discussion

5.3.1 Tax Compliance Definition

As the focus of this thesis is on examining the relationship between religiosity and tax compliance, participants were asked to define the terms 'tax compliance' and 'religiosity'. This gave an opportunity to gauge the participants' initial understanding. Most participants related their own tax compliance decision processes into their tax compliance definition. Over 85 per

cent of participants specifically mentioned abiding by tax laws as a basic aspect of tax compliance:

Tax compliance means meeting all laws and legislation in a timely manner. (Owner E)

Tax compliance requires careful consideration of the law to make sure an individual pays the correct amount on time. This is a difficult task due to the ever-changing nature of tax. (Accountant B)

I believe that it is meeting the tax laws of New Zealand so that the IRD is happy. (Religious Leader D)

Other participants noted the role of civic duty within their tax compliance decisions:

Here in New Zealand, we get resources provided for us and we are in a stable country. I feel like paying taxes is the right way to show my appreciation for that and payment for the resources that I use. (Owner M)

Many clients want to comply with their taxes because it is the right thing to do. They are just unsure of the system which is why they employ us. (Accountant C).

Many participants noted that tax compliance was forced upon them due to New Zealand's source deduction (PAYE) tax structure. This tax relates to salary/wage earners where a business deducts taxes and other costs before the taxpayer receives their income:

I understand tax compliance as ensuring that you pay the right amount of tax. The PAYE system allows me to do that with very little effort. (Owner L)

For many New Zealander's, tax compliance is not a concept that they are familiar with as they don't have a decision over it. The current PAYE system which allows deduction of taxes from the wages before they receive it means that taxpayers do not have any choice over their tax compliance. (Owner F)

For most taxpayers, I feel like the definition of tax compliance is irrelevant, rather it should be 'forced tax compliance'. (Owner H)

5.3.2 Religiosity Definition

Participants held mixed views on the definition of religiosity. Some participants noted the need for belief in a higher power in their definition:

I have always seen religiosity as a personal belief in a higher power. (Religious Leader B)

I feel like religiosity involves having a personal belief in a higher power or what your religion teaches. (Owner F)

Conversely, some participants believed that religiosity involved the understanding of religious beliefs:

I feel like religiosity involves a deep spirituality in religion. This spirituality has an impact on your life. Most religions tend to promote tolerance, love, forgiveness and compassion for those around you. What you think, how you treat people, how happy you are. (Owner M)

Religiosity is the concept of having a great religious belief. It is important to note that there are different religions that have different beliefs. These beliefs drive your religious morals as to what is right and what is wrong. (Owner L)

Owner J felt the social aspect of religion to be the key to their understanding of religiosity:

Religious communities are incredibly close. I feel like the influence of religion is so substantial that you cannot define religiosity without including the religious community. (Owner J)

Cultural influences also emerged as relevant for owner H:

I don't think you can have religion without my culture. They are so intertwined that you cannot have one without the other. It's a part of who I am. (Owner H)

Owners A and C expressed concern that religiosity was a difficult concept to define:

I feel like religiosity is difficult to define and that different people will have different beliefs about religiosity. I believe that it is a belief in a higher power but if you ask someone else, they might say that it is an understanding of religion. (Owner C)

I believe the main problem with the concept of religiosity is that it is difficult to define and measure. It is so heavily based on people's thoughts and feelings; they are not comparable from person to person. (Owner A)

Many of the participants noted the influence of multiple sub-issues in their understanding of religiosity, thus highlighting the issue of definition within this area:

I feel like religiosity is not as simple as saying 'I'm religious' because it varies. I see it as having a belief in a higher power. Some may want to be involved in a social community while others may want to be involved in a religious community with the same culture. Even religiosity varies between different countries. In New Zealand, those people identifying with religion are decreasing dramatically while in other countries like the Pacific Islands, religion is still a substantial part of their culture. (Owner D)

Most people believe that religion involves a personal belief that you have and to some degree that is true. To me, religion is much more than going to Church on Sunday and listening to the Pastor in front. It's the community, the sense of belonging. It is wonderful sharing time with people who share the same beliefs. We grew up together; we will continue to grow together both physically and spiritually. (Owner I)

Religiosity is a difficult concept to define and I believe it is because there is not one religion. Some religions involve being heavily involved in a community; some even live in a community together. Other religions involve a substantial cultural element. Other religions involve discussing your faith on a personal level. (Owner E)

5.3.3 The Relationship between Religiosity and Tax Compliance from Participants

With their basic understanding of the term's 'religiosity' and 'tax compliance' participants were then asked if they believed a relationship exists between them. Answers were overwhelmingly positive with 90 per cent indicating that they believe a relationship exists. Most participants felt that religiosity had an influence through many sub-issues including civic duty, culture, personal moral beliefs and social norms; however, there was no consensus as to which themes are most influential. Owners C and G felt that religiosity extends to a civic duty which leads to tax compliance:

Religion teaches you to help those in need and to be a 'team player' within society. This could be achieved through volunteering or even just looking out for those in the community. I feel like for many people, they could be a team player by obeying the laws of this land, which includes tax compliance. If you pay your taxes, you are giving the government and those people who need the money and resources in order to live a better life. (Owner C)

Following the law is the right thing to do as a citizen of New Zealand. Having religious beliefs reinforces what I believe as a person. I would say there is a relationship between religion and tax compliance; however that relationship is not as clear-cut as it seems, there are numerous other influences involved. (Owner G)

Religious Leaders C and D noted the influence of culture upon religiosity which extends to tax compliance:

I believe that there is a relationship between religiosity and tax compliance and my reasoning is the cultural influence, particularly within a religious community. You don't want to be the black sheep. You don't want to be the person in your community that breaks the law. That brings great shame upon you and your family socially. (Religious Leader C)

Cultural pressures definitely have an impact. In the Pacific Islands, community religion is of the utmost importance. The relationships within that community are huge. Many families feel that they have a reputation to maintain which is to obey the law and be as upstanding

as you possibly can. You don't want to be the person that is seen to be different. (Religious Leader D)

Another common influence was the sub-issue of personal moral beliefs in life decisions:

Your morality is key to religion. If you have strong religious beliefs, then you will apply them to your everyday life. I believe the issue arises from people's interpretations of religion. A religious person may murder someone because they were a person of ill-repute. Is that right or is it murder? Same can happen with taxes. Take some of these foreign countries who have corrupt leaders. People may choose not to pay their taxes because they are giving money to a government who is unfair towards its citizens. Is that right? Therefore, I believe that religion can have an impact on people's decisions including those of a taxation nature. (Owner M)

I believe that there is a relationship between religiosity and tax compliance because you learn your moral character at Church. You then apply those lessons in everyday life, what you do, what you think etc. One of those decisions, particularly in a business sense is tax compliance. You are taught that evading tax is wrong as people suffer due to your selfish decision. (Owner L)

The role of social norms within the relationship between religiosity and tax compliance was also important:

Religious communities are incredibly close. I feel like the influence of religion can extend beyond the casual get-togethers and meetings. Particularly with social media, people know everything about everyone. You don't want to be that one person who breaks the law and does something completely wrong. Although religion encourages you to forgive and not to judge, I cannot help but feel like people do anyway. (Owner I)

Religion is not just going to Church on a Sunday. The part I enjoy is the social aspect of religion. You get to know other families who have the same faith as you. I care about those relationships and I go to a great effort to maintain them. As a result, I feel like the actions that I do in everyday life are influenced by what others may think of me. Even if it's something small as in what I wear to Church. I could easily see that extending into a tax

compliance context. I hardly want to be the person at Church who is the known tax evader.
(Owner F)

In contrast, Accountants A and C did not believe that religiosity could extend to a tax compliance context based on what they have seen professionally:

Religion can be influential over an individual and their morals; however, I do not believe those morals extend to a tax compliance context. I feel like the decision as to whether or not you comply is made by your own morals. Religion could be a part of that, sure but most of it comes from your own life and your own experiences. (Accountant A)

I'm not sure if there is a relationship between religiosity and tax compliance. When I face any tax decision in the workplace, religiosity never comes into mind. Things like ease of use and having contingency accounts come to mind. (Accountant C)

Accountant B and Owner C felt that religiosity should have a strong influence in its own right with a direct correlation rather than influencing sub-issues:

I have found that the religious individuals within my community are of a strong moral fibre. I believe this could extend into a tax compliance context. I would seem a bit contradictory for people to believe one thing on Sunday and practice the complete opposite on Monday.
(Owner C)

If a religious individual truly believes what they have been taught, they are hardly going to avoid paying tax. That doesn't seem right. (Accountant A)

5.3.4 Participants' Views on the Public Perception of the Relationship between Religiosity and Tax Compliance

Another important theme that arose was that although participants felt personally that religiosity can have a positive effect on tax compliance, they felt that public perception of this relationship is different. Overwhelmingly, participants felt that the public perceive religiosity to have a deterrent effect on tax compliance as a result of various sub-issues including the fairness of the system, lack of understanding of religion, the changing nature of society and

IRD relationships. However, there was no consensus as to which sub-issue was the most prominent. These are discussed in turn.

5.3.4.1 Fairness of the System/Charities Exemption

The most common reason surrounding this negative perception was the perceived fairness of the system, particularly the tax exemption of registered charities:

There is some apprehension towards religion in New Zealand as a result of the current charities exemption. This has allowed companies who would be normally be considered to be everyday businesses to avoid taxes under the mask of religion. Therefore, I believe that religion is no longer seen as trustworthy to the New Zealand public. If the organisations as a whole can avoid tax, why don't all the individuals who share the same belief? (Owner F)

I believe that the relationship between religiosity and tax compliance is seen as negative by the New Zealand public. I believe it is because a majority of the New Zealand public is no longer religious so may not understand how religion can be an influence and also because of the current charities exemption system. It can be seen as unfair that a religious organisation does not have to pay tax when others have to. The New Zealand public tend to think of the worst scenarios when mentioning the words 'tax and religion' e.g. Religious leaders who abuse their power and drive around in fancy cars. (Owner I)

Is it fair that a religious organisation does not pay tax? Personally, I believe that it is fair because Churches promote the Good Word and make society better as a whole. But I can understand that from a non-religious perspective they do nothing for them. I think the mistake people make is that they assume religious individuals are similar in that they would do anything to avoid tax whenever they can. I do not believe that to be true at all, but I would not be surprised if religious charities are removed from the exemption rules due to public pressure. (Accountant C)

Whenever you hear the words 'religiosity' and 'tax' you immediately think of negative things. I believe this is because the current tax system is unfair. As long as any business is charities registered, it's ok for them to not pay any tax. It doesn't matter what their charity

is or what businesses they run. It doesn't exactly encourage people, both religious and non-religious, to comply with tax. (Owner L).

I believe the potential relationship between religiosity and tax compliance is strained by the fact that religious charities are currently exempt from paying tax. This is a great idea in principle; however, there are some organisations who abuse this benefit for personal gain. It makes you question their integrity if they are using religion for personal gain. (Owner B)

5.3.4.2 IRD Relationship

A negative relationship with the IRD as a result of a lack of religious understanding has been thought of as a reason for the negative perception of religion in a tax compliance context:

The IRD does not understand how religion can influence tax compliance or everyday business. Last year, I overpaid my provisional income tax due to a drop in contracts in my business. The IRD informed me that I have an interest overpayment to collect. As a Muslim, I am not allowed to accept interest. I had to ask Imam what I should do as the IRD was not understanding in this situation. In the end, I donated everything for the greater good. The IRD created a stressful situation due to their lack of understanding. (Owner J)

I think the IRD are trying their best to relate to people. Years ago, the IRD's attitude was like 'If you don't pay your taxes, you are going to jail' type scenario. Now, this has shifted, and they have tried to make things easier by placing everything online. They are also trying to understand different cultures and are trying to relate to people. I do not think that IRD's understanding extends to religion. They never talk about religion or accept it. The only time you hear about religion is with the charity exemption. The IRD still has work to do there. (Accountant B)

5.3.4.3 Changing Nature

A changing New Zealand society with less acceptance of religion was the reasoning behind the negative public perception for owners A and E:

New Zealand is no longer the society that is heavily dominated by one religion. We are a multi-cultural, multi-religion-based society. I believe that the previous generation automatically saw religious people as good people with phrases like ‘Billy couldn’t have done this crime; he is a regular church-goer’. As we have become more understanding, knowledgeable and accepting of people, many have realised that this may no longer be the case. This could easily extend into a tax compliance context. (Owner A)

Fifty years ago, religion was what made up the fabric of society. You were part of a close community of people who shared the same faith. However, as time has progressed and different generations and cultures have become part of New Zealand society, religion has taken a back seat. Now it is seen as negative to go to Church compared with the positivity in the past. I believe that this means that religious individuals are no longer seen as fully trustworthy and therefore religious individuals could commit crimes including tax evasion. (Owner E)

5.3.4.4 Lack of Understanding

Owner G felt that a lack of understanding from non-religious individuals could be to blame for the negative public perception:

It depends if the member of the public is religious or not. I don’t expect non-religious individuals to understand how this relationship could work. I can see how a religious individual could understand how the religiosity-tax compliance relationship could work. But given that a lot of the New Zealand population is not religious, and this is increasing, I suspect that this is a concept that is going to become less understood over time. (Owner G)

5.3.5 Other Factors that Promote Tax Compliance Seen as Important by Participants

5.3.5.1 Strong Factors that Promote Tax Compliance

Due to the differing occupations and levels of tax knowledge, the reasons why participants comply with tax varied. However, the most common and influential factors to occur amongst

participants are discussed below. These were considered stronger factors that promote tax compliance.

5.3.5.1.1 Civic Duty

As in tax compliance definitions, the influence of civic duty came up often:

After the earthquakes, many people including the IRD came to help us with tax breaks and income subsidies. This made me feel like I am a part of a strong community. Now it is my duty to pay back that favour through paying my taxes. (Owner H)

Tax evasion has been described as a ‘victimless’ crime by the media. I guess that is true in that no one is actually hurt but in reality, people are hurt. If the government didn’t receive any money, hospitals would not run, roads would not be built. I feel like paying taxes is the right thing to do to keep things moving. (Owner L)

The greatest influence over me is the civic duty of doing the right thing. Paying taxes seems fair. Religion is a part of who I am, it represents a part of me. However, in a tax compliance context, its strength is rather low. (Owner G)

Complying with tax is the right thing to do. I have no intention of breaking the law. I may not like paying tax, but I am in no position to evade. (Owner F)

5.3.5.1.2 Source Deduction

Similar to the tax compliance definition, the use of source deductions (PAYE) in New Zealand also arose:

I think that many New Zealanders know nothing about tax. If you asked them to prepare a tax return, many of them would panic because they have no idea what to do. I think compliance is so high because there is no work involved in complying. Under PAYE, the money is taken away from you before you even receive it. (Accountant C)

Overseas, taxpayers have to file returns each year and panic about it. Here in New Zealand the PAYE system makes it easier for taxpayers to comply, although it is the businesses that now have the administration issues arising from this system. (Owner B)

It is really easy to comply with tax in New Zealand. Everything has been paid for before I receive my wages. This ease of use is the main reason that I comply. (Owner A)

5.3.5.1.3 Threat of Punishment

In addition to source-deduction and civic duty, participants noted the threat of punishment from the New Zealand tax authorities as a reason to comply:

Growing up, my family has taught me to be fearful of the IRD. If you mess up, they will come after you. This has made me quite scared in the day-to-day running of my business of the IRD. I go to extra lengths to make sure I haven't made any mistakes in my tax returns. (Owner E)

In the past due to issues in my bookkeeping skills, I have received penalties from the IRD. The experience was that shameful that I am fearful to put a step wrong again. (Owner J)

You hear stories of those who have been punished for not complying with tax. I do not want to be one of those people. (Owner G)

The threat of punishment is scary for me. I do think about my morals in making the decision to comply with tax, some of which include religious morals. We are also a charity. I believe that the concept of charities requires a morally appropriate approach that religion installs in an individual. Therefore, I could easily understand that there is a relationship between religion and tax compliance. (Owner B)

5.3.5.1.4 Use of Accountant/Lack of Knowledge

Some participants noted a lack of knowledge concerning their tax compliance decisions. Accountant A and Owners C and D were of this view:

I believe that complying with taxes is the right thing to do; however, I do not understand the system. I employ an accountant whom I trust to ensure my compliance which has worked for me for 20 years. (Owner C)

My greatest influence is the use of an accountant. They are the professionals and I trust them to make sure I meet the law. (Owner D)

Many people place great trust in us to meet their taxation needs. We have substantial training and experience in building rapport. This is what encourages people to use accountants to comply with taxes. (Accountant A)

Owner B highlighted the regressive effect of compliance costs:

My firm would love to use an accountant; however, we cannot afford it as we are a start-up. Sometimes I feel like those small firms who really need accountants, cannot afford them. (Owner B)

5.3.5.2 Weaker Factors that Promote Tax Compliance

5.3.5.2.1 Social Norms

The following factors were considered to be influential amongst the participants; however, they did not have as strong an influence as the previous factors, nor were they as commonly mentioned. Owners G and I considered the social norms of the New Zealand community to have a small influence on tax compliance decisions:

New Zealand is a small nation where communities are close. I feel like this could have an effect on decisions like tax compliance. I do not want my neighbours pointing at me saying 'that's the tax evader'. Personally, I comply with the tax system because it is the right thing to do; however social pressures have a small impact on what the right thing to do is. (Owner G).

I feel that a tax compliance decision is as a result of multiple factors. One factor can be more powerful than others, like social norms. People will comply with taxes because

socially, that's what is true. However, complying with the law may be a more powerful effect than being accepted by those around you. (Owner I)

5.3.5.2.2 Culture

Religious Leaders C and D reciprocate the influences of social communities through the role of culture:

Japanese people have a concept of 'reading the air' where people base their decisions off what is socially appropriate. You don't want your family to be ashamed of you. Within my church, this cultural significance is even closer as the social aspect of the community is even closer. There is pressure both culturally and socially to comply with tax as you don't want to be seen as the tax evader to the people around you. (Religious Leader C)

When thinking about the influence of factors on life decisions, culture needs to be thought about. Particularly, Pacific Island communities like ours that are close. It is culturally important to be supportive of your family and the community. This could translate into a taxation context very easily. To not comply with tax is to be seen as not supportive and a bad thing. (Religious Leader D)

5.3.5.2.3 Religiosity

Owners A and I highlighted that although religiosity has a positive influence; its strength is limited due to the strength of other variables:

I would not say my religious beliefs/affiliations have a substantial impact, things such as knowledge of the tax system would make me comply. (Owner A)

I hope people think of their religious beliefs before making an important decision. However, I do understand that this is not always the case. (Owner I)

5.3.6 Factors that Discourage Tax Compliance

5.3.6.1 Stronger Factors that Discourage Tax Compliance

5.3.6.1.1 Fairness of the Tax System

Participants had stronger opinions about what makes them not comply with taxes. The greatest influence of non-compliance is the perceived fairness of the tax system. The reasons varied; however, examples include the impact of legislative changes on small business and government policy:

There are many parts of our current system that are unfair. Take farmers who get pay-outs in natural disasters. Does my non-farming business get a pay-out when economic conditions are bad? No. (Owner B)

I believe that the current tax system is unfair to us in small business. Any large changes (such as the new GST laws) have a substantial impact on us. We have had to hire an administration worker as a direct result of this. This does not make us willing to go to great lengths to comply with tax. (Owner A)

I would be more willing to comply with taxes if I saw some advantage from the government. Students, nurses, families with young children have all recently seen some advantageous legislation. Meanwhile, what do I get? The tax break that gave me over \$500 a year is removed. It makes me feel like if you don't fall into the categories that they want then you get nothing but are still expected to comply. Would I be willing to pay more for this? Not at all. (Owner L)

5.3.6.1.2 Relationship with the IRD

The relationship with the IRD was also a considerable factor for non-compliance with recent system changes proving to be highly problematic:

Things are alright with the IRD until something unusual happens. Take the new system updates as an example. I have not been able to log onto my account for four days. This

severely damages what I think of the IRD. I do not really feel like going to the extra mile to pay my taxes if it is just going to be impossibly difficult. (Owner D)

If you would have asked me a few months ago, I would have said that the IRD makes things easier by placing everything online. However recently with system updates, everything is now very difficult and the IRD is not being understanding. No time extensions, they don't even answer their phone. This doesn't exactly encourage me to comply with tax. (Accountant B)

The tax department always has a public stigma. From experience, it always seems like they are willing to charge quickly and not listen. Take the new online system which people did not ask for. Sometimes the IRD needs to listen and adjust for what people want. (Owner I)

5.3.6.1.3 Resource Constraints

Restrictions that arose as a result of being small businesses also were an issue:

At the start of the business with little knowledge of how things work it can be really easy to buy the wrong items or the incorrect amount. It is also difficult to budget for taxation purposes. Sometimes it is best to spend the little money you have maintaining a business rather than paying tax. Once I personally over-ordered stock as I had no idea what our sales would be. As a result, we were overdue on our taxes. (Owner H)

I had a client who took money out of the tax provision account for a family emergency. However, when taxes were due, they had no money to pay. Penalties ensued, and it is an awful situation. Many people who don't pay tax often want to pay tax. (Accountant C)

5.3.6.1.4 Self-Employment

Participants who were self-employed admitted that they think that they are less likely to comply than their wage-earning counterparts, mainly due to the opportunity in the system to evade or avoid tax:

The current system surrounding self-employment has numerous loopholes to avoid tax liability. Clients always want to claim as much as they can to reduce liability. You never hear of someone wanting to pay more tax. (Accountant C)

Being self-employed allows you to claim expenses. Even items that shouldn't really be expenses. Many people in the industry do it. (Owner M)

5.3.6.2 Weaker Factors that Discourage Tax Compliance

5.3.6.2.1 Government Perception

Owner B highlighted the role the government plays in encouraging tax compliance:

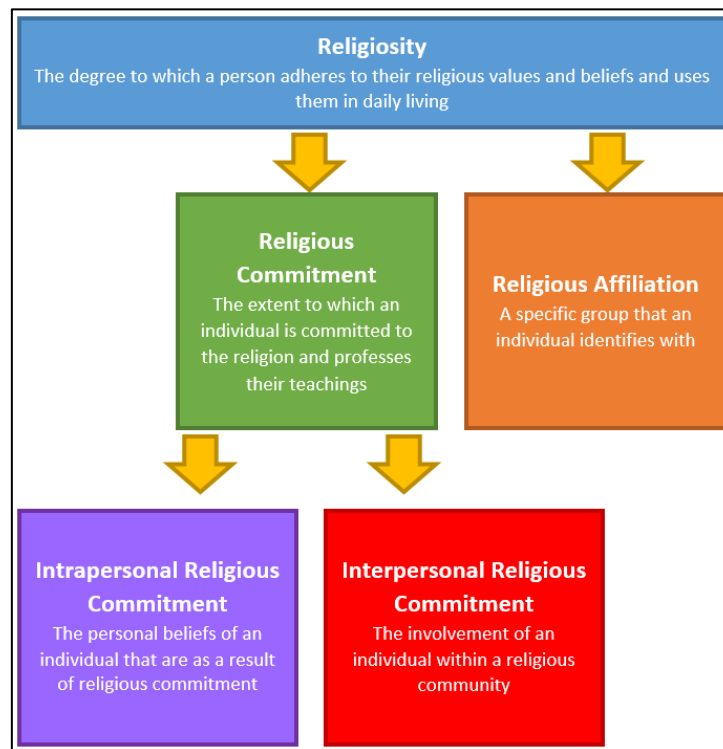
Taxation has the purpose of providing funds for the government. Government stability and trust is key to the system working. If I do not trust the government, there is little motivation to comply. Personally, I do not feel like the current New Zealand government is stable (Owner B)

5.3.7 Influences of Religiosity

5.3.7.1 Intrapersonal Religious Commitment

Participants were asked what variables they considered to be influential on religiosity. After first giving an opinion, participants were then shown a diagram (Figure 5.2). Overwhelmingly, most participants cited the role of intrapersonal religious commitment having an influence on the religiosity-tax compliance relationship.

Figure 5.2: Religiosity Diagram Used in Interviews



Source: Adapted from Worthington et al. (2003)

Many participants recognised the role of religious beliefs in decision-making:

Religious beliefs are vital to the relationship between religion and tax compliance. I don't see how you can let God into your life without believing in him first. That's not the way religion works. On this diagram [Figure 5.2] this is intrapersonal religious commitment. (Owner F)

Religion is a belief; this belief is the key. The idea of tax compliance requires an individual to question if complying with tax is the right thing to do. I believe that your religious beliefs are what guide your decisions. (Religious Leader E)

There are many influences on life from a religious context. Religiosity is like a house, you cannot be strong and stable without solid foundations. I believe that strong religious beliefs are the foundations of having a strong and happy life, even if this strong and happy life includes choosing whether or not you are complying with tax. (Owner L)

Although I think that other things are influential such as the community, I believe the most important concept is religious beliefs. You cannot be religious without having faith, you cannot have faith without believing. (Religious Leader D)

Some participants noted the role of both religious beliefs and personal moral beliefs in decision-making:

Religiosity is an interesting concept in that it is purely about what you believe. I choose to believe in God and what God wants for me; I believe I am religious. Therefore, what I believe is what makes religion influential. (Owner I)

The key to decisions is your own beliefs. What do you believe is the right thing to do? For me, religion has a high impact on what is right. If my religion says that evading tax is the wrong thing to do, then for me it is the wrong thing to do. Looking at this diagram [Figure 5.2] I think that means intrapersonal religious commitment. (Owner E)

5.3.7.2 Intrapersonal and Interpersonal Religious Commitment

Religious Leader B noted the intersection of intrapersonal and interpersonal religious commitment through a combination of religious beliefs and social influences:

I feel like religion is a combination of religious belief and social influences within the church. The lessons that we teach to the congregation are then reinforced by the religious community around them. You have youth groups, women's groups where discussions about religion are influential. (Religious Leader B)

5.3.7.3 Cultural Influences

Cultural influences that arose within a religious context also came up as influential as mentioned by Owner M and Religious Leaders A and C:

I believe that intrapersonal and interpersonal religious commitment are both influential on the religious morals of a person. The intrapersonal is the person's beliefs and interpersonal is the social aspects that reinforce the beliefs learned through intrapersonal. However, I

think that culture needs to be considered within this diagram. Cultural teachings impact on both the beliefs and the social system of an individual. (Religious Leader C)

Culture needs to be considered as a part of this religion definition. From my perspective, you cannot define religion without culture. Thus, I do not fully believe in this diagram. (Owner M)

Someone who is not religious seems to think that the biggest influence of tax compliance is the moral lessons. However, personally, I have found my culture to be very important. Religion is very intertwined in my culture. I think about my culture and those people within my culture before making morally-questionable decisions. Is this the right thing? For example, would Lee from my parent group think this is the right thing? (Religious Leader A)

5.3.8 Importance of Culture within Religiosity

5.3.8.1 Culture within Religiosity Understanding

Citing the importance of recognising culture in New Zealand, participants were asked about their thoughts on culture in a religiosity context. This thesis uses Hofstede's (1980, p.25) definition of culture which is "the collective programming of the mind which distinguishes the members of one group of society from another." Results were strong with 90 per cent of participants believing that culture could have a substantial impact upon religiosity and the relationship between religiosity and tax compliance. Religious Leaders B and C both felt that culture and religion interlink leading to their importance:

I feel like culture is heavily important to me. I cannot forget my heritage. It's the same idea for religion, I cannot forget what I believe. Sometimes I believe the intercept of culture and religion is a minority and it brings communities closer together. (Religious Leader C)

Religion has spent thousands of years adapting to modernising conditions and societies. For example, recently the Anglican Church had a vote on their opinions on homosexuality. Many years ago, the Church was not that progressive. The same applies from a cultural

perspective: Churches have accepted different cultures. Therefore, I believe that religion can no longer be defined without consideration of culture. (Religious Leader B)

The biggest influences on my religious journey are my culture and my community. Most people identify culture as another country's beliefs [e.g. Indian]; however, I believe that there is our own culture in New Zealand. New Zealand is accepting of different beliefs, religions and people. Would those people in the New Zealand community judge me for the choices I make? Would I feel comfortable being a citizen of New Zealand's society for the choices I make? (Owner I)

Owner A expressed the opinion that the involvement of many cultures in modern society needs to be recognised:

Whenever religiosity is talked about, I think culture also needs to be considered. New Zealand is no longer the society that is dominated by one culture or one religion. We need to become accepting and understanding of all cultures. (Owner A)

Owner B built on Owner A's opinions to discuss the role of culture-blending in modern society as a result of multiple cultures:

New Zealand is a diverse country with many cultures. I feel that because New Zealand is so accepting and understanding of new cultures, all of these cultures will eventually blend into society to become a part of New Zealand's culture. (Owner B)

Owner G felt that the mix of religion and culture in society is not fully understood and therefore creates issues:

What people don't understand is the concept of different cultures within one religion. In the Muslim community of Canterbury, we have over 20 different cultures within one entire religious community itself. When considering religion as an aspect of tax compliance, culture needs to be thought about as well. (Owner G)

Religious Leader D and Owner H reinforced this within a taxation context:

Culture is heavily important to people. Within our church, there is a blend of culture and religion. Family always comes first. I have had a member of the congregation come to me with a situation similar to that scenario [Compliance Scenario 1] in that they have stretched the resources of a business in order to help the family. They complained that the IRD is not considerate nor understanding of their culture. (Religious Leader D)

When you talk about culture, many people believe that culture is referring to a minority in another country, e.g. the Japanese community in New Zealand. But I believe that New Zealand has a culture of its own. Given the small size of New Zealand, the concept of two degrees of separation is true. I believe that the IRD needs to consider an understanding of culture as a method of improving tax compliance. (Owner H)

Finally, other participants have been able to use their own experiences with culture to justify its importance:

I would consider culture to be a great influence on tax compliance. I have noticed that there are certain Pacific Island people within the business community who have been disadvantaged as a result of their cultural practices. They consider their word to be important as when here in New Zealand we operate on contracts, reports and financial statistics. These communities struggle to fit into New Zealand's business structure where their main goal is to make a profit rather than provide family support. Many of these businesses only employ accountants when things are dire rather than at the start-up stage of the business. The IRD could be more understanding of these cultural issues. (Accountant B)

In Japan, family pride and social standing is a considerable ideal. Using financial agencies is seen as shameful as it is a sign that you have no money. This shame extends to your family as well. If one person in your family is seen not to have money, then your whole family has no money. Therefore, people are more likely to borrow money off relatives than financial institutions. Most New Zealander's would rather borrow the money from the bank. Therefore, I agree that cultural influences need to be considered on running a business and with tax compliance. (Religious Leader C)

5.3.8.2 Culture within Religiosity Definition

Citing the need for a definition of culture in a religiosity context, participants were asked how they would define the concept of religious culture. A majority of participants felt that religious culture involves the religious practices and/or beliefs that arise from cultural influence. Religious Leader D and Owner H, highlight the blend of religiosity with culture:

The involvement of culture within religiosity comes into play when the religious practices we participate in are as a result of or influenced by culture. (Religious Leader D)

Personally, culture has an influence as does religiosity. However, in my life, there are some cultural traditions that have an impact on my religious journey. This is my understanding of religious culture. (Owner H)

Owners E and I and Religious Leader D explain the importance of family within their personal religious culture experiences:

I have observed the role that culture has within a religious community. What some people do not understand or realise is that one Church can be a blend of multiple cultures. From my observations, the family is critical within the culture. Many people assume culture comes from ethnicity. In some respects that is true; however, my understanding of culture is that it is a group of people who share the same beliefs. Religious culture would be a group of people who share the same religious beliefs. (Religious Leader D)

Religious culture is highly important to me. I was raised by a highly religious family. They instilled my beliefs in God from a young age. To me, religious culture is the culture and the shared belief of my family. I hope that I have promoted this culture to my children and grandchildren. (Owner E).

I feel like culture within my Church comes from the influences of family. Older generations teach the younger generations their understandings and beliefs about religion. (Owner I)

Owner C felt that the term culture did not include certain ethnicities; however, their understanding of religious culture remained consistent with the idea that religious culture involves the religious practices that arise from a cultural influence:

When you hear the term culture, you assume a certain ethnicity like Chinese. However, a culture doesn't necessarily have to be that. I am influenced by New Zealand culture as this is where I grew up. For me, religious culture involves a blend of religious beliefs as a result of cultural influences or combined in a church setting. (Owner C)

Owner A highlighted the role religious culture has with interpersonal religious commitment:

In my life and given my cultural background, I feel like some of the cultural influences from a religious perspective are also influenced by the community around me. My culture cannot be influential without the people around me. Every Sunday, I worry what people think if I do not show up to Church as religion is very important in my culture and family. (Owner A)

Owner F explained the blend of religious culture with the beliefs that arise from intrapersonal religious commitment:

With religious culture, I feel that there needs to be a consideration for the personal belief in the religiosity itself. Culture can have its own influences, especially within family circles; however, I do not think that a religious culture could exist without a belief in religiosity in the first place. (Owner F)

5.3.9 Separation of Religious Beliefs and Personal Moral Beliefs

Overall, 80 per cent of interviewees felt that religious beliefs could be separated from personal moral beliefs. Some noted the fact that religious beliefs and personal moral beliefs have their own separate influence and offered explanations as follows:

I believe some religious experiences contribute to religious morals and there are some personal experiences from growing up that contribute to personal morals. They may overlap at times, but I believe they are two separate concepts that can be separated. In terms of

taxation and any other decisions in life, I believe that there is a combination of religious and personal morals at work. (Owner A)

Based on my experiences, I would say that religious beliefs and personal morals have their own influence. Romans 13: 6-7 states that 'For because of this you also pay taxes, for the authorities are ministers of God, attending to this very thing. Pay to all what is owed to them: taxes to whom taxes are owed, revenue to whom revenue is owed, respect to whom respect is owed, honour to whom honour is owed.' So, my religion says that paying taxes and the correct amount of taxes is the right thing to do. I also know that to obey the laws in my country, I need to pay taxes and that personally, I want to be a good citizen of my country. Although the outcome both religiously and personally is the same, the moral theory behind it is different and therefore religious and personal morals are two separate things. For people to say otherwise is very inaccurate. (Religious Leader B)

Owner E and Religious Leaders A and E felt that issues with a lack of universal understanding of religiosity as a concept prevented religious beliefs from being accurately measured:

For researchers to assume that religious beliefs and personal morals are the same is completely wrong. People have independent thought, they may not agree with everything their religion says. Even different parts of the same religions often contradict each other. I believe this could easily relate to the religion and tax compliance relationship/a tax compliance decision. (Owner E)

Although we have certain moral lessons within different areas of life, there are some areas where people do disagree, or people have their own beliefs on certain ideas. So, I do believe religious beliefs and personal morals can be separated. (Religious Leader E)

Our goal is to teach people and to encourage their personal religious beliefs. We do understand that in some areas, people will not agree with what we believe. This could extend into a tax evasion process, e.g. someone could think that Christianity says that tax evasion is wrong, but I do not agree with this. Therefore, religious and personal morals can be partially separated. (Religious Leader A)

Owner L and Religious Leader D believe that religious beliefs and personal moral beliefs can be separated; however, they were unsure as to how this could be measured:

I believe religious beliefs and personal morals are two separate concepts. I believe that you don't learn everything from religion, and you don't learn everything from personal morals and experiences. I believe people apply lessons from both concepts into everyday decisions. So yes, I do believe that both religious morals and personal morals play somewhat of an impact on tax compliance decisions. However, I have no idea how you would measure personal morals and religious morals as they are invisible concepts that cannot be measured. (Owner L)

I believe that religious morals and personal morals can be separated. They are two different concepts. It is unfair to expect a member of our congregation to believe all the things we say. Although, I am unsure how they can be separated. (Religious Leader D)

However, a small group of participants felt that the internalisation of religious beliefs into personal moral beliefs prevent the two from being separated:

Religion makes up a part of who a person is and what they believe. If a person has a strong belief, then I believe the religious morals reach a point where they become your personal morals. Maybe for some people, they can be separated but for me personally, I don't think they can be. (Owner C)

Moral lessons are a fact of growing up. To generalise them into different categories seems wrong. Religious morals, cultural morals, personal morals I feel like they are often the same thing, a part of who you are. (Owner M)

5.3.10 Measurement of Religiosity

Participants were then asked how they believed religiosity could be measured. Not one answer dominated; however, themes included one measurement for simplicity:

Religion is a very difficult concept to try to measure. As inaccurate as it is, I think the main way you could measure is religious affiliation. People know what you mean by that and there is little offence involved by asking individuals about religious affiliation. (Owner B)

If you were to pick a measure for simplicity, I feel like you would just use religious affiliation. However, I know that would not provide much information. (Owner J)

The most common answer was to use a combination of measurements in order to produce a wide-ranging understanding of religiosity. However, there was no consensus as to the specific measures to use in this combination:

I identify with many of the possibilities for measuring religion. Religious education, religious commitment, religious affiliation. You could try a survey with all of these aspects of measurement on a scale of religion and rank people from there. (Owner C)

Within our church, we use multiple resources to measure how well we are doing. The first is church attendance. However, the most valuable measure is how far an individual has come religiously. If you had a girl who chose to believe in God and chose to be baptised, they would be further along in their spiritual journey compared with a new attendee. (Religious Leader A)

One measure is not enough. You cannot place a person who works and dedicates their life to religion in the same category as someone who occasionally shows up to Church. A person's belief is more important than their affiliation. (Owner D)

Owner J believed an extension on measuring religion would be to use a religiosity scale:

If people had the time, I would ask individuals multiple questions in terms of observable and non-observable concepts to try and rank individuals on a scale. (Owner J)

Owner A felt that the measures themselves would be dependent upon the research and the information required:

The main issue is how accurate you would like to be and how you are asking people this question. If you are asking them in a survey, then the easiest thing to do would be to ask what their religious affiliation is. This is a universal measure that many surveys use worldwide. It does run the risk of being inaccurate and subject to a person's own opinions about themselves. If you were in an interview situation then you could ask the individual their opinion. This does run the risk of little comparability. I guess the point I am trying to

get at it is that measuring a concept like religion, which is heavily subject to an individual's personal beliefs is almost impossible. (Owner A)

Regardless of previous conclusions, 85 per cent of participants felt that overall religiosity could not be measured accurately. Some suggested that religion cannot be measured as it involves the concept of faith:

Religion is a concept that is based upon an individual's beliefs. Each person sees their beliefs differently. If you ask one person to measure their religion on a scale their answer may be different to another person who believes in religion to the same degree. Therefore, I don't think it can be measured. (Owner B)

I have always considered religion to be faith or a belief in a higher power. I don't see how a person's faith could be measured. One person's thoughts would be different from another. (Owner E)

A lack of understanding of religiosity arising from no universally set definition has resulted in substantial measurement issues:

I feel like each religion is different. For example, we believe in reincarnation, Christians believe in God. How can you define religion when there are so many subsets, all requiring many definitions? It would be too great of a task. (Owner M)

What is religion? My understanding of religion is a belief in a higher power. Other religions do not believe in a higher power. Other religions believe in multiple higher powers. Different religions have continually changed over time. I don't see how you can measure something that is continually evolving. (Owner A)

I don't think religion can be measured. It is very difficult to measure religion as it has not been defined. Research will have to define religion before a perfect measure can be found. (Owner D)

Inaccurate answering as a result of social desirability bias was also believed to be a reason religiosity cannot be measured:

I feel like you can never truly measure religion, what one person says is different to what another person says. With surveys, I feel like people will automatically write down an answer that makes them look great. (Accountant A)

The accuracy of any religious measurement and previous surveys you mentioned need to be questioned. I feel like when it comes to topics like religion, people will always say what makes them feel good about themselves. (Owner J)

5.4 Chapter Summary

This chapter provides the results of the semi-structured face-to-face and email interviews with accountants, small/medium business owners/managers and religious leaders. As a starting point, participants were asked what they understood about the concept of tax compliance and what makes them comply or not comply with tax. New Zealand's PAYE system, civic duty and threat of punishment were the main reasons for participants to comply while fairness of the system, relationship with the IRD and resource constraints were the main reasons not to comply.

Participants were then asked about their understanding of religiosity and if they believed a relationship could exist between religiosity and tax compliance. An overwhelming 90 per cent of participants believed a relationship could exist with particular reference to the way religion influences personal moral beliefs, creates cultural influences within a person and provides people with civic duty, and a religious community creating social norm pressures upon an individual to obey the law. Despite this, most participants believe that the relationship between religiosity and tax compliance is viewed negatively by the general public due to the charities exemption creating perceived unfairness in the system, the public treatment of donations and the public's negative relationship with the IRD. Although most participants believed that a relationship between religiosity and tax compliance exists, many of them believe that this influence is weak compared with other variables such as the use of an accountant or the relationship with the IRD.

In terms of the way religiosity influences an individual, all participants believed that intrapersonal religious commitment influenced tax compliance with some highlighting the

importance of combining it with interpersonal religious commitment or cultural influences. The support for intrapersonal religious commitment was mainly driven by the importance of religious beliefs upon an individual's tax compliance decisions. Culture was then explored as a new sub-set of religiosity with 90 per cent of participants believing that culture could have a substantial impact upon religiosity and the relationship between religiosity and tax compliance.

Participants were then asked about their understanding of personal moral beliefs and religious beliefs. This had a high correlation. Participants were asked if they believed religious beliefs and personal morals could be separated. Most participants believed that they could be; however, there would be difficult to do so in the real world. To conclude, participants were then asked if they believed religion could be measured, with most participants believing that religion cannot be measured. This is due to a combination of the fact that religion is too difficult a concept to measure as it is a construct based upon belief and there is a lack of definition concerning the meaning of religion. Chapter 6 provides a discussion and analysis of the findings in this chapter.

Chapter 6:

Discussion and Analysis

6.1 Introduction

This chapter discusses the key findings from the data collection process to provide a comprehensive depiction of the topics of religiosity and tax compliance in a New Zealand context. The major findings from the semi-structured interviews with accountants, small/medium business owners and religious leaders are discussed with reference to prior literature. These findings are also discussed in the context of the research questions (Chapter 1). The presentation of this chapter reflects the presentation of data in Chapter 5. The implications of the findings from this data conclude this chapter.

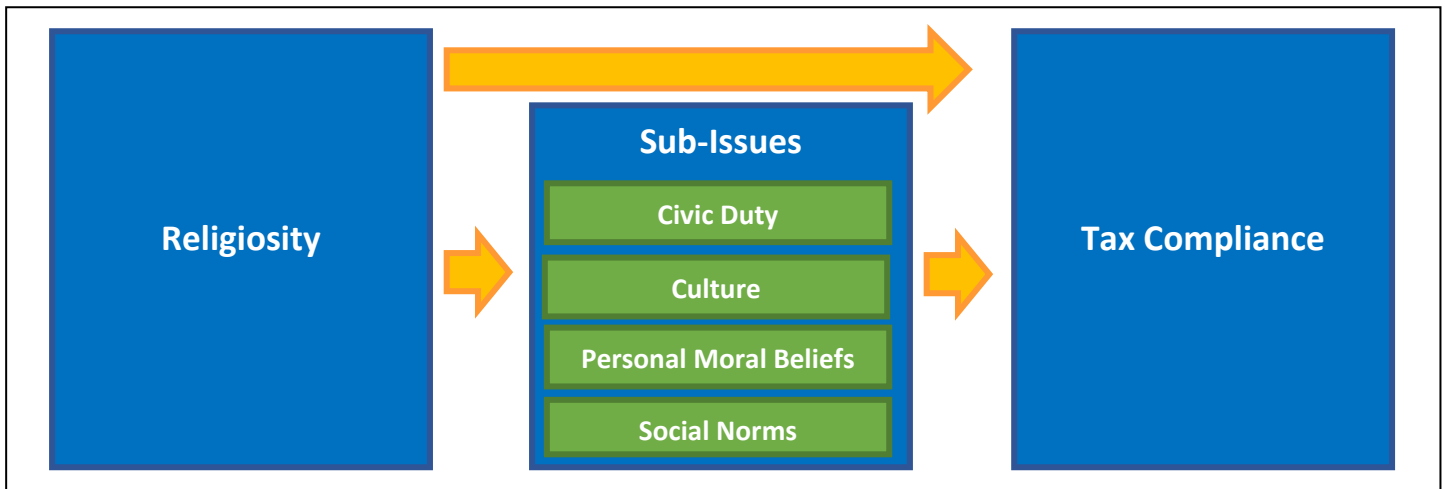
6.2 Discussion and Analysis

6.2.1 Relationship between Religiosity and Tax Compliance

6.2.1.1 Summary of Findings

In the data obtained through interviews, a majority of participants felt that religiosity had a positive effect on their tax compliance behaviour. These results are supported by previous studies conducted in the United States, Turkey, Malaysia, and Nigeria (Benk et al., 2015; Eiya et al., 2016; Mohdali & Pope, 2014; Tittle & Welch, 1983). Many participants believed that religiosity had an influence through sub-issues including civic duty, cultural influences, personal moral beliefs, and social norms. Other participants felt that religiosity could have a direct influence on tax compliance without a repercussion on various sub-issues, as supported by Grasmick et al. (1991a) and Torgler and Schneider (2007). The results of the interviews in terms of the relationship between religion and tax compliance are shown in Figure 6.1.

Figure 6.1: Relationship between Religiosity and Tax Compliance



Source: Author

6.2.1.2 Sub-Issues within the Religiosity – Tax Compliance Relationship

By using civic duty as a sub-issue, some participants felt that religion teaches moral lessons that an individual should apply in everyday life. These religious morals could be extended to a tax compliance context where paying taxes is the right thing to do as a citizen. This result reinforces a previous study conducted by Torgler et al. (2008), who concluded that a combination of a high sense of obedience (in a public context) and religiosity can lead to higher tax morale. Mohdali (2013) also highlighted in her study that the main reason for taxpayers complying was a strong civic duty that was encouraged by most religions.

Culture as a sub-issue has also emerged from the data. A prominent weakness in previous religiosity-tax compliance relationship research was the reliance upon WVS information that assumed all countries were culturally homogeneous (Silver & Dowley, 2000). The results of this research reinforce this assumption as a weakness, particularly as this study interviewed a wide-ranging sample of the New Zealand public. New Zealand is a culturally diverse country that comprises numerous cultures and religions (Human Rights Commission, 2009), therefore it is inaccurate to assume that New Zealand is culturally homogeneous. Despite Richardson (2008) acknowledging that culture may have an impact on the relationship of religiosity and tax compliance in New Zealand, there is a lack of research into this topic providing an area of future research.

Personal moral beliefs have also been identified as a sub-issue in the relationship between religiosity and tax compliance. The reasoning behind this was that religious morals would influence an individual's personal moral beliefs which would lead to a positive tax compliance decision. This fortifies Mohdali's (2013) conclusion that personal moral beliefs affect the relationship between religiosity and tax compliance.

Social norms were the final notable sub-issue in this data set. It is implied that religiosity will lead to involvement within religious communities. The social interactions within these religious communities will then have an impact on a person's thoughts and actions as many individuals do not want to be considered outcasts. Research by Petee et al. (1994), Worthington et al. (2003) and Welch et al. (2005) provide identical conclusions where social norms in a religious context will lead to an increase in tax compliance. The data shows that the impact of social norms is more prevalent in religious cultural communities, suggesting a potential combination of cultural, social and religious pressures. Many religious organisations with a cultural element are often highly devoted to their communities in order to support people both culturally and spiritually (Croucher, Zeng, Rahmani, & Sommier, 2017). This support can also lead to an increased pressure to conform, including obeying the law. Although there has been a substantial amount of research on the role of social norms on the relationship of religiosity and tax compliance, the influence of culture within social norms has not been researched extensively, thus there is a future area for research.

The development of sub-issues in the relationship between religiosity and tax compliance establishes this research as a notable contribution to knowledge. A reason why these sub-issues may have emerged is that many studies in this area are quantitative-based surveys designed to establish if a relationship exists rather than ask how or why a relationship exists. The quantitative, survey-style approach could explain why there are numerous studies conducted where one or two sub-issues have developed as this style of research is designed to detail trends in society rather than explore established relationships in-depth. This research found that there are a number of indirect variables that religiosity had an influence through, but there was no one sub-issue that was dominant. This highlights an area for future research as many studies were within this area. This study was also conducted within a New Zealand context and different sub-issues may be more prominent in other countries.

6.2.1.3 Religiosity Directly Influencing Tax Compliance Behaviour

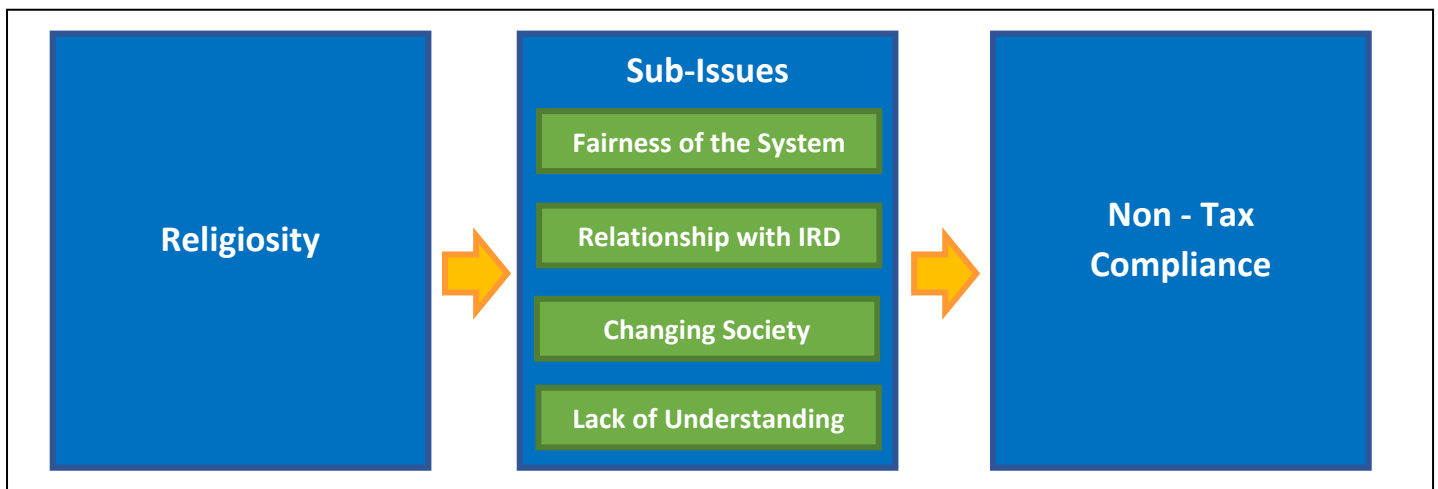
A smaller group of participants felt that religiosity had a direct impact upon tax compliance, i.e. when an individual is faced with a tax compliance decision, a person would immediately think about their religious beliefs when making a decision. This result is consistent with Stack and Kposowa (2006) who concluded that religiosity had a direct impact on tax compliance and tax fraud unacceptability. However, most of the participants in this study who believed this were religious leaders. This suggests a potential bias as these individuals may have a highly religious education and background which may not be reflective of general society. These religious leaders could produce answers pertaining to how they believe society should behave rather than how it really does behave. These leaders also may not face the same sub-issues as the general public or face them to the same extent, since the religious leaders face different pressures than the general public. Based on the frequency and intensity surrounding the influences of sub-issues as described in interviews, the data suggests that religious individuals are more likely to be influenced through sub-issues (civic duty, personal moral beliefs, culture and social norms) than through religiosity directly.

6.2.1.4 Religious Perceptions on Non-Religious People's Perceptions

A finding which contradicted previous research is that although religious people believe the religiosity-tax compliance relationship is positive, they believe the public perception of that relationship is negative. Participants felt that the general public typically believed that religiosity could be associated with tax evasion-type behaviour. Many participants felt that fairness of the tax system, a lack of religious understanding, the nature of society and relationships with the IRD could be blamed for this conclusion.

This highlights an area for future research where non-religious people are asked about their thoughts on the religiosity-tax compliance relationship. The results of the interviews in terms of public perception on the relationship of religion and tax compliance are shown in Figure 6.2.

Figure 6.2: Public Perception of the Relationship between Religiosity and Tax Compliance



Source: Author

The results show that the fairness of the New Zealand tax system was the main reason why participants believe that the public perceives religiosity to be a negative influence on tax compliance. Under the current New Zealand tax system, registered charities (which include many religious organisations) are exempt from paying tax as they are established in order to provide a good for society (Inland Revenue Department, 2018b). Many participants felt that the public no longer perceives this system to be fair. One reason for this may be the negative portrayal of religion in the media. Some participants argued that the negative headlines get sensationalised in order to obtain views. This has the unintentional consequence of influencing public opinion in a negative manner. This, combined with the rise of fake religious organisations internationally, has damaged the public reputation of religion with many of them established for the sole purpose of financial gain (Wood, 2017). Lastly, a lack of public understanding of what religions do could be another explanation for the negative portrayal. Although many religious organisations are established for the purpose of providing something positive for the community, some people who are not involved inside a religious organisation may be unaware of the work provided for the community. Therefore, the tax exemption may be perceived to be unfair by the general public.

Many participants felt that religiosity could lead to a decrease in tax compliance due to the relationship religious individuals have with the IRD. Interview data indicates that the IRD may have a lack of understanding concerning religions. Although there has been no research

conducted to reinforce this understanding involving religion, other pieces of evidence reinforce a lack of IRD understanding in a variety of different contexts. Ma (2015) argued that the simplified one-size-fits-all approach can have a deterrent effect which leads to complexities in the system. Thus, a lack of understanding involving religion could be seen as a deterrent. Hamid (2013) also highlighted the need for ethical sensitivity as an important factor in improving tax compliance.

The current IRD tax compliance model is designed with the purpose of understanding customers better and adapting actions to work for them (Inland Revenue Department, 2016b). This is displayed by the customer at the centre of the tax process. Throughout many of the previous 17 IRD Annual Reports, acknowledgement, acceptance and understanding of cultural influences on an individual in a tax compliance context have been referenced; however, there has been no mention of understanding religious influences. The lack of understanding of the religious motives of an individual has led to a lack of training among IRD staff leading to situations where religious beliefs may not be fully understood. Therefore, it is recommended that the IRD also factor religious influences into the customer-centred tax compliance model (Figure 3.3) to promote understanding and increase tax compliance.

Many participants also blamed the nature of current New Zealand society as a reason why religiosity could be perceived to be negative. New Zealand is currently facing a decline in religious association where those individuals citing themselves as non-religious in census statistics has increased from 24 per cent in 2001 to 43 per cent in 2013. As seen in many countries around the world, this has led to the overall culture becoming less accepting of religion (Bullard, 2016; Sherwood, 2018) as many people are no longer involved in these communities or are unsure of the concept (Croucher et al., 2017). However, beyond census statistics, there has been no other research to reinforce the idea that the changing New Zealand society can be to blame for the negative perception issue.

A lack of understanding surrounding religiosity also emerged as a reason for the perceived negative public perception. As previously discussed, New Zealand as a country is becoming increasingly irreligious. One consequence of this trend may be that society is become less understanding of religion as fewer people are involved in it. This reinforces research by Sherwood (2018) and Dinham (2016) who both highlight the issue of religious understanding in an increasingly secular environment. Sherwood (2018) suggests that these religious

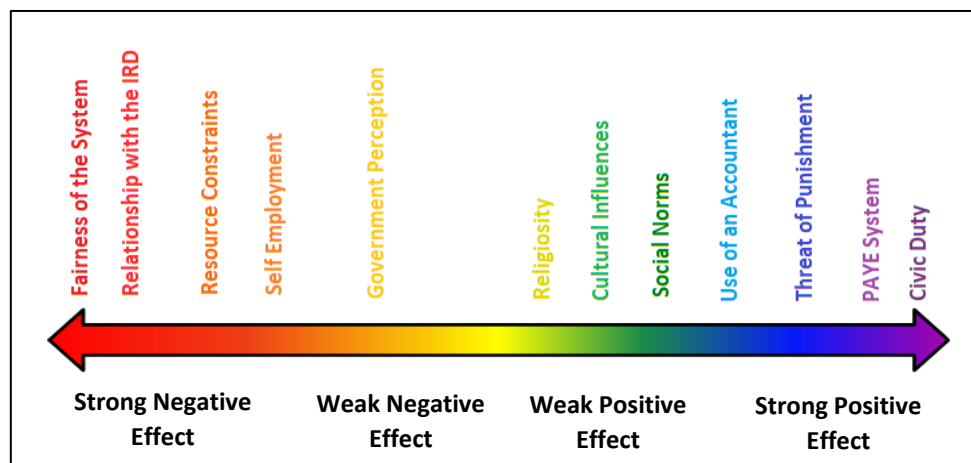
misunderstandings can lead to hostilities. The data implies that these misunderstandings could extend into a taxation context where a lack of understanding surrounding religion has led to the public perception that religiosity is associated with tax non-compliance. This lack of religious understanding has also been previously mentioned from the perspective of the IRD who have little to no mention of religion influences within their Annual Reports.

6.2.2 Strength of Different Variables on Tax Compliance

6.2.2.1 Summary of Findings

In interviews, participants were asked about what makes them comply with taxes. These answers were assessed based on the number of times they occurred in interviews and the strength of the variable when mentioned. As a result, the strongest positive influences on tax compliance are our current PAYE system, the threat of punishment, civic duty and the use of an accountant. The strongest negative influences on tax compliance are self-employment, perceived fairness of the system, relationship with the IRD and resource constraints. Religiosity, cultural influences and social norms were considered to have a smaller positive influence on tax compliance. Fewer interviewees considered government perception and this was found to have a small negative effect on tax compliance. The results of the interviews in terms of the strength of variables on tax compliance are shown by Figure 6.3.

Figure 6.3: Influences on Tax Compliance Continuum Using Data Results



Source: Author

6.2.2.2 Strong Positive Effect

Civic duty (entirely separate from religiosity) was shown to have the strongest positive effect on tax compliance. This involved an individual making the decision that complying with tax was the right thing to do as a citizen of this country. This reinforces the findings of many previous studies (Bobek et al., 2007; Feld & Frey, 2007; Kirchler, 2007; Porcano, 1988; Reckers et al., 1994; Schwartz & Orleans, 1967; Wenzel, 2004) who all cited the positive role of civic duty in a tax compliance context. These results also imply that New Zealand is no different in its influences on tax compliance compared with other countries.

Many participants also felt that New Zealand's current source deduction tax system contributes positively towards tax compliance behaviour as any wage/salary earner in New Zealand has their income tax deducted before receiving any income. These results are supported by Mohdali (2013) who found that in Malaysia, source-deduction taxation was a highly effective method of compliance. The effectiveness of the source-deduction system is strong; however, research has raised many questions surrounding the rates of tax compliance if at-source taxation was not enforced.

The threat of punishment also emerged as a positive effect on tax compliance. This involves most governments conducting tax audits and using penalties in order to discourage tax evasion. This reinforces similar conclusions obtained from international studies (Evans & Tran-Nam, 2014; Fischer et al., 1992; Murphy, 2008) and New Zealand studies (Gemmell & Ratto, 2017). The data also suggests that the threat of punishment is effective due to the lack of public knowledge surrounding the tax system in New Zealand. Although the IRD is highly open and has numerous resources and communication opportunities, many of the participants felt that they and the general public have little knowledge of taxation. This often results in fear among the public leading to people going to some lengths to ensure compliance. Stories of previous experiences amongst taxpayers concerning the IRD have also led to a fear of punishment. Discussions on punishment involving the IRD, whether it is due to past events or opinions from other conversations, has often resulted in the IRD having a negative reputation and fears amid the general public (Feld & Frey, 2007). These results match the findings from a previous study by Gangl, Hofmann and Kirchler (2015). The implications of these findings are that the IRD

could use this information to further enhance their communication opportunities to improve taxation knowledge.

Given that some members of the general public do not have enough knowledge or confidence, many choose to hire an accountant to ensure compliance. Due to the educational and professional knowledge of an accountant, their use results in a strong positive effect on a taxpayer's compliance. These findings fortify the conclusions from Tan (1997) who found that the hiring of accountants is important in meeting the tax obligations of small businesses. Despite their effectiveness, some participants felt that their small firms struggled to afford the accountant compared with those larger firms, thus implying that the use of an accountant is a regressive cost. This conclusion reinforces the findings of Gupta and Sawyer (2015) who concluded that tax compliance costs are regressive to the size of the business. The IRD has begun exploring those issues with the new compliance model centering upon the customer and being understanding of the customer.

6.2.2.3 Strong Negative Effect

Based on the interview results, the fairness of the tax system had the greatest negative effect on tax compliance. This meant that taxpayers refused to comply with a tax system that they perceived to be unfair. One reason is that the current tax system is often viewed as regressive towards small business owners in that they face a higher compliance cost given the amount of tax they have to pay. This could be perceived to be unfair and can often discourage the development of small business and increase stress (Evans & Tran-Nam, 2014; Gupta & Sawyer, 2015). Another reason could be that people believe they are paying too much tax for the services that they receive. These results reinforce previous studies conducted by Alm et al. (1992a) who established that tax compliance arises from perceived fairness between tax rates and public services provided. A final reason could be that taxpayers do not believe that the current tax rates and tax system are fair. This theory is reinforced by the Tax Working Group (2010) who stated that the current tax system is not working effectively and tax reform is necessary. Notable loopholes where unfairness has often been recognised are capital gains tax, trust law, deductions of expenses and charities. Since the election of a new government in 2017, tax reform has been discussed and a committee has been formed on a potential introduction of capital gains tax with the purpose of making the tax system fairer (Tax Working Group, 2018).

Despite this, there is still work to do in improving the public perception of the tax system before the fairness of the system can have a positive influence on tax compliance in New Zealand.

A taxpayer's relationship with the IRD also has a strong negative effect on taxpayer compliance rates. Previous research has highlighted the importance of trust in the relationship between the taxpayer and the IRD. This trust is mainly built on positive previous experiences (Gangl, Hofmann & Kirchler, 2015), obtained by practical communication (Blumenthal et al., 2001) and helpful staff members (Feld & Frey, 2007). In this study, for a negative relationship to exist between a taxpayer's relationship with the IRD and tax compliance, there may be a lack of trust on the part of the taxpayer. Participants cited high compliance costs, a lack of IRD understanding of small businesses practices and changing tax procedures as reasons why trust in the IRD is low. These results support previous research findings that if a tax authority is perceived to be unfair, tax compliance will decrease (Feld & Frey, 2002b). Citing the relationship issues, the IRD developed a new tax compliance model that focused on the taxpayer's needs rather than fear of punishment. As a result, some participants found that the IRD was improving their relationships with taxpayers. This was mainly attributable to an increase in technology capability and an improved understanding of taxation issues related to self-employment. However, as the relationship is still negative, the greatest implication of this finding is that the IRD have more work to do in improving their client relationships.

Resource constraints were shown by the data to have a strong negative effect on tax compliance. Some participants noted that due to poor practices and control over business resources, some businesses did not have enough cash to pay their taxes. This supports previous data by Mataira and Prescott (2010) who found situations of cash shortages leading to tax non-compliance. One reason for this issue arising was cultural pressures compounded by a lack of separation between business and personal affairs. Many cultures have close family connections who may require money in emergencies. Due to these cultural pressures, some people took money out of business accounts to help. As a result, taxes were not able to be paid. Yong (2011) also drew similar conclusions in a New Zealand context with specific referral to the struggle of Pacific Island communities with the New Zealand tax system. Self-employment could be another reason for resource constraints. Particularly in the start-up phase of an organisation, maintaining a business can be difficult with a lack of knowledge of survival in a business leading to issues with tax compliance. Mataira and Prescott (2010) concluded that some communities see the additional taxation calculations that arise from self-employment as leading

to an unenthusiastic reaction to tax compliance. In this study, one participant noted that due to their lack of knowledge, they over-ordered on stock, thus creating a taxation issue as there was little money left. Citing this as a common issue, the IRD is now more understanding of these situations with the introduction of a new compliance model and alternative procedures.

Self-employment had a strong negative effect on tax compliance. This implies that an individual who is self-employed is more likely to not comply with their taxes. This reinforces Clotfelter's (1983) conclusion that tax compliance rates of self-employed taxpayers are lower. Potential reasons for this include the fact that business owners get the option to comply with tax. New Zealand's current PAYE system does not give non-business taxpayers many opportunities to choose their tax compliance behaviour. This supports Slemrod's (2007) conclusion that tax compliance rates among self-employed individuals are lower due to the opportunities to evade tax and Engström and Holmlund's (2009) research which highlights a trend of under-reporting with self-employment. Another reason may be financial pressures of a self-employed business could mean that a taxpayer is unable to comply with taxes. Over time, the IRD have increased their supervision and regulations surrounding self-employment in order to prevent evasion. Bruce (2000) noted in his research that if a taxpayer has a chance to gain from self-employment, they will undertake that opportunity. However, as noted by the data, this increase in regulation may have a negative effect on tax compliance as increased regulation leads to more strain on resources.

6.2.2.3 Weak Negative Effect

Government perception was the only variable to provide a weak negative effect. This contradicts previous studies by McKerchar et al. (2013) and Frey and Torgler (2007) who concluded that an increase in the public perceptions of government can lead to an increase in tax compliance (particularly in democratic countries such as New Zealand). However, Wallschutzky (1984), Feld and Frey (2007) and Murphy (2004) concluded that an increase in the trust of the government through the fulfilment of policy and a fair political process can lead to increased tax compliance. At the time of interviewing, New Zealand had recently had a change in government. The uncertainty arising from a new government may have led to a lack of trust in the government among participants and hence resulted in the conclusion of a weak

negative effect on tax compliance. It may be beneficial to conduct the same study in a few years' time when the current government is settled in to see if the same trends arise.

6.2.2.4 Weak Positive Effect

Data from the interviews showed that social norms had a weak positive effect on tax compliance. This implies that a taxpayer will follow those activities and values from their surroundings. Therefore, if an individual is in a community of tax compliers, they are more likely to comply. These results are supported by previous studies such as Alm, Bloomquist and McKee (2017), Alm et al. (1992a), Fehr and Falk (2002), and Wenzel (2004) who all noted the positive effect of social norms on tax compliance. It is also the second New Zealand study to support this positive relationship conclusion after Smart (2012); however, Smart did not refer to the strength of social norms on tax compliance. It is important to note that several participants noted that different social communities caused different pressures which could involve other variables. For example, numerous participants felt religious and social influences within a religious community while other participants have felt cultural and social influences within a certain cultural community. This represents an issue with measurement as it is hard to define which variables are the most influential on tax compliance (i.e. in the first scenario there are both religious and social pressures to comply with tax. It is unknown which one is the most influential on tax compliance as they are both difficult to measure). The influences of social norms in different communities could be an area of future research within the tax compliance area.

Cultural influences had a weak positive effect on tax compliance. This implies that a taxpayer will factor in their culture when making a tax compliance decision. This has reinforced conclusions from previous New Zealand studies (Mataira & Prescott, 2010; Yong, 2011) with Yong concluding that New Zealand cannot be considered 'culturally neutral'. The results found that some cultural influences had an impact on the day-to-day running of a business, particularly within the Pacific Island community. This was found to be a greater issue with those organisations that struggled to separate the business from the individual. Some examples within the data of negative actions towards a business as a result of cultural pressures include money withdrawn from a business account for private family expenses, being pressured by family to give client work to family friends, giving discounts to family friends, and choosing suppliers within the cultural community regardless of the cost.

Cultural influences can also become entwined with other variables such as social influences. For example, some participants felt that the shame of being an outcast in their cultural community ensured compliance with the law. In this situation, both cultural and social influences apply; however, it is difficult to determine which variable is the most influential. Therefore, how to measure this relationship could be a topic of further interest in the tax compliance area.

Religiosity as a variable was also found to have a weak positive effect. Mohdali and Pope (2014), Eiya et al. (2016) and Grasmick, Kinsey & Cochran (1991b) produced studies that came to the same conclusion in Malaysia, Nigeria and USA, respectively. As discovered previously (section 6.2.1.1), religiosity is often mediated through other variables. This high dependency on other variables has resulted in the positive effect that is directly attributable to religion being weak. Despite the fact that it was the weakest positive variable on tax compliance, it is still a positive variable that the IRD need to consider if they want to increase tax compliance.

6.2.3 Aspects of Religiosity that Influence Tax Compliance

6.2.3.1 Summary of Findings

Most participants cited intrapersonal religious commitment as the main force behind any decision (tax-related or otherwise) in their lives. These results show that religiosity influenced an individual's religious beliefs. This reinforces previous research by Worthington et al. (2003), Mohdali (2013) and Mohdali and Pope (2014) who all concluded that faith in a religion that arises from having an intrapersonal religious commitment is what is influential over a personal life and decision-making.

Overwhelmingly, participants found that religious beliefs (arising from intrapersonal religious commitment) is the key variable that influences the religiosity-tax compliance relationship. Reasons as to why include the use of teaching in many religious events. For example, in Christianity, every Sunday a sermon is designed to teach religious values using the Bible. Some religious leaders within this study described their role as a teacher of religious beliefs. Many participants found that these religious teachings led to religious beliefs. It is these religious

beliefs that are used in the relationship between religion and tax compliance. Another reason religious beliefs may influence tax compliance is personal religious experiences. Some participants thought that certain life events had a profound effect on their religious beliefs and hence they applied their religious beliefs to their actions in life (such as tax compliance). Previous research has been dedicated to finding out whether intrapersonal or interpersonal religious commitment is influential over tax compliance, rather than reasons why such a relationship would exist. Therefore, these potential explanations for why intrapersonal religious commitment is more influential over tax compliance decisions need to be strengthened by further research.

A minority within the study highlighted the importance of both intrapersonal and interpersonal religious commitment. Interpersonal religious commitment involves having an involvement with a religious community. The reasoning behind this is that intrapersonal religious commitment ensures that an individual adheres to the lessons taught while interpersonal religious commitment allows the reinforcement of those values due to the community aspect. The minor effect of social influences on religiosity also reinforces conclusions from section 6.2.2.4 which highlighted the weak positive effect of social norms on tax compliance.

6.2.3.2 Influence of Culture

Many participants also cited the importance of culture as an influence of religion. Hofstede (1984) defines culture as “the collective programming of the mind which distinguishes the members of one group of society from another.” The influences of culture are different depending on the individual. Some participants have deliberately chosen to attend a church on the basis of their cultural identity. For example, one participant chose to attend a Pacific Island Church so that her family could understand and keep their heritage.

Some participants found that culture is influential through the community aspect with similar cultures promoting similar behaviour, for example, in a Japanese church, an important concept in the Japanese culture is to ‘read the air’ where people within a culture make decisions out of what is socially acceptable so that no one stands out. Others found that culture is influential through the moral lessons that culture teaches you which are reinforced by religious lessons. For example, Croucher et al. (2017) highlight that worldwide globalisation has led to blend of

religion and culture. Another group of participants found intrapersonal religious commitment, interpersonal religious commitment and culture all influential due to various influences.

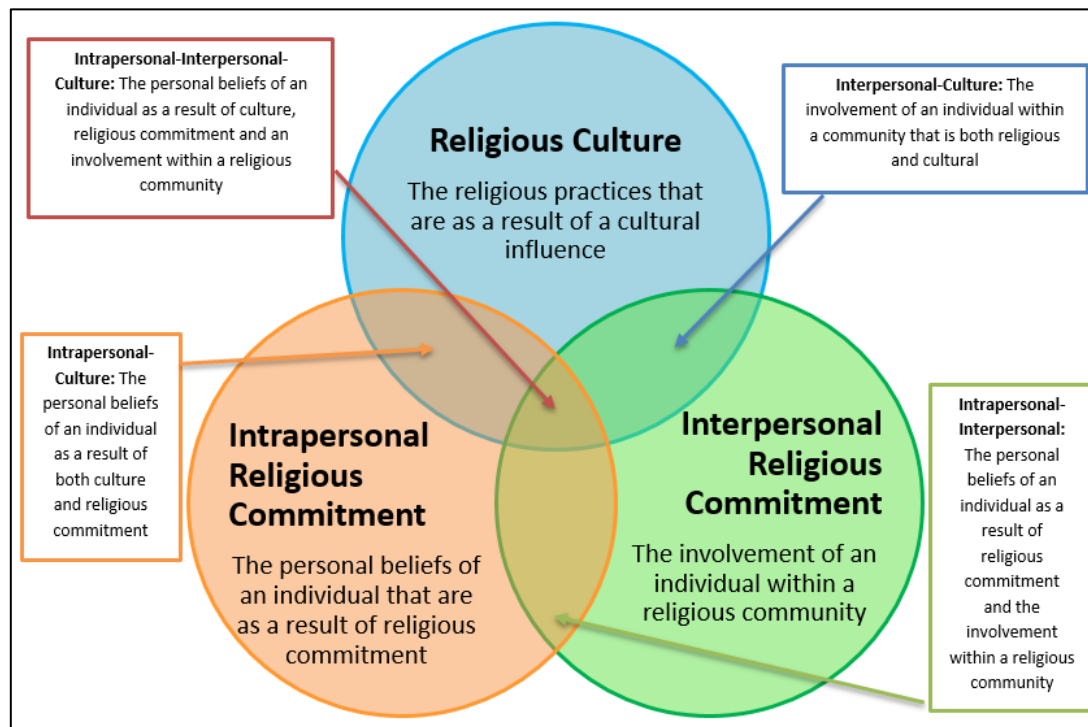
6.2.3.3 Implications for Future Research

Understanding the importance of culture within the data, Worthington et al.'s (2003) current religiosity model could be improved by including it. Findings showed that culture is influential on religious commitment intrapersonally, interpersonally and individually, hence, a tentative Venn diagram has been created to reflect this (Figure 6.4).

As this new model is an attempt to define religiosity, non-religious cultural influences could not be included, hence the third category is referred to as 'religious culture'. As a result of participants' understandings of religious culture, religious culture has been defined as 'the religious practices and/or beliefs that are as a result of cultural influences.' This reflects the general consensus from the findings that religious culture is a result of a blend of culture with religiosity (section 5.3.8.2).

This tentative diagram modifies Worthington et al.'s (2003) model where it is implied that intrapersonal and interpersonal religious commitment are two separate sub-categories with no overlap. Interview results also highlight that some participants believed that religious culture overlaps with intrapersonal and interpersonal religious commitment, thus making the Venn diagram appropriate. Results found that intrapersonal religious commitment, interpersonal religious commitment and religious culture can work together to reinforce the concept of religiosity. This model may be more applicable in countries that are not dominated by one culture or one religion; however, subsequent research will be needed to confirm this theory. Overall, the adoption of this new model has the aim of increasing general understanding about both religiosity and culture as well as improving IRD understanding as to the importance of culture and religiosity.

Figure 6.4: Tentative New Model Defining Religious Commitment



Source: Author

6.2.4 Is the Association between Religiosity and Tax Compliance beyond Personal Moral Beliefs?

6.2.4.1 Summary of Findings

Overall most participants felt that religious beliefs and personal moral beliefs could be separated when it comes to the relationship between religiosity and tax compliance. The most substantial issue with this conclusion is that it indicates the weakness in previous research that assumes that religious morals and personal morals are the same (Mohdali, 2013; Mohdali & Pope, 2014). Reasons why, according to the data, include the fact that religious beliefs and personal moral beliefs have their own separate influence on tax compliance decisions, subconscious thinking and issues of definition with religion.

Many participants noted that religious beliefs and personal moral beliefs have their own separate influence on tax compliance decisions. When making a tax compliance decision, participants could be influenced by their religious beliefs and personal moral beliefs regardless

of whether these beliefs result in the same outcome. For example, one participant noted that there is a passage in the Bible that states that paying taxes is the right thing to do (a positive religious belief). Yet also paying taxes is the right thing to do as a citizen of their country (personal moral beliefs). This shows that although their outcome was still the same (they comply with tax), the reasons behind it are attributable to different beliefs. Another reason why religious morals and personal moral beliefs are separated is that there can be contradictions between the two. For example, there are many people (including participants) who are religious leaders who are also in charge of a business. Like the previous example, religious beliefs state that paying taxes is the right thing to do. However, the leader may feel that they have been hard done by and that they do not need to pay taxes as the current system is unfair on them, thus resulting in non-compliance. People interpret their own religious beliefs and personal moral beliefs differently, despite some potentially having similar experiences or following the same religion/scripture as others. A difference between these two beliefs could explain why there have been cases of religious individuals committing crimes such as tax evasion (Aldashev & Platteau, 2014). Reasons as to why religious people commit crimes (particularly relating to the differences in religious beliefs and personal moral beliefs) could be an area for future research.

Some participants noted subconscious thinking when making any tax compliance decisions. Particularly, they felt that people do not know that they are using the concepts of religious beliefs and personal moral beliefs when making a decision; rather many people just make a decision using subconscious processes. Therefore, although they believe that religious beliefs and personal moral beliefs are separate things, many participants did not think or know about the concept of these beliefs until mentioned in the interview. One potential explanation for this is the fact that public knowledge concerning religious beliefs and personal moral beliefs is low. People may not have the theoretical knowledge surrounding their beliefs, rather just the practical application. Therefore, when participants are asked about their opinions between the two, they required a further explanation about religious beliefs and personal moral beliefs before answering the question. Despite this, the data shows that all people who were influenced by subconscious thinking thought that religious beliefs and personal moral beliefs are separate because participants were able to think about how they applied their beliefs in daily life, even if they did not know about the beliefs before.

Some participants noted the role of internalisation in their decision-making. Internalisation is the concept that an individual learns moral/life lessons through personal experiences, and they choose to believe those lessons so that they may become a part of an individual's own morals. For example, one of the Ten Commandments in the Bible is 'honour thy father and mother'. A religious individual may learn that lesson as a result of life experiences (such as attending Church) but rather than the lesson being directly attributed to an individual's religious faith or morals, they may believe that honouring their parents is the right thing to do as a person. Thus, their morals have become internalised to become a part of who they are.

However, many participants noted the difficulty in obtaining a measurement of personal moral beliefs and religious morals they cannot be seen and are based upon faith. Therefore, conducting studies where personal and religious morals are measured could be an area for future research.

6.2.5 Measurement of Religiosity

6.2.5.1 Summary of Findings

Most participants concluded that religiosity could not be measured. This supports previous studies conducted by Tanaka (2010) who concluded that religiosity could not be measured due to its difficult nature. However, it contradicts other studies within this field (including Feld & Torgler, 2007; Grasmick et al., 1991a; Grasmick et al., 1991b; Richardson, 2008; Stack & Kposowa, 2006; Tittle & Welch, 1983; Torgler, 2003b; Torgler, 2006; Torgler, 2012; Torgler and Schneider, 2007; Torgler et al., 2008; Welch et al., 1991) who all used specific measures to understand religiosity. Participants felt that the main reasons why religion could not be measured include a lack of definition of religion itself, measurement issues and social desirability bias.

Measurement issues were the most common reason as to why religiosity could not be measured. Many participants thought that the concept of faith could not be measured reliably because faith is invisible and everyone's relationship with religion is different as it is based on personal experiences. This means that similar events transpiring in two people's lives could result in two different perspectives of religion and hence religiosity, creating substantial issues when

trying to measure this concept. This reasoning supports conclusions by the Pew Research Centre (2015, 2017) who highlighted a difference of opinions concerning religious measurement between those who believe the Bible should be interpreted literally and those who do not. Another reason why there could be measurement issues is the nature of different religions. Much research has used Christianity as its basis with the religious commitment of Church attendance. With thousands of religions believing multiple philosophies and using multiple methods of religious commitment, it can be very difficult to reliably measure religions as there is no one standard.

Some participants expanded on the measurement issues in that there is a lack of definition of religion itself resulting in religion itself becoming difficult to measure. This could be due to the number of variables required to capture the many religions around the world. In order to accommodate these variables, the definitions of religion and religiosity can become vague and not useful (Schilbrack, 2013). Within New Zealand, the decline of religious affiliation and acceptability of religion has compounded this issue to the point where many participants felt that religion could no longer be measured accurately.

Social desirability bias also became an issue in measuring religion. Social desirability bias has been defined by Lavrakas (2008) as the tendency to provide answers to questions that would be deemed to be more socially acceptable. The main consequence of this phenomena is that some people may be publicly pressured into giving answers they do not mean as a result of their perception of public expectations upon themselves. Given the sensitivity of the topic of religion, some participants felt that when trying to measure religion, members of the public may give false answers resulting in a false measurement of religion. This reinforces conclusions by Regnerus and Uecker (2007). Recommendations for addressing this issue include data collection methods that promote anonymity such as surveys; however, this may not be possible in all areas.

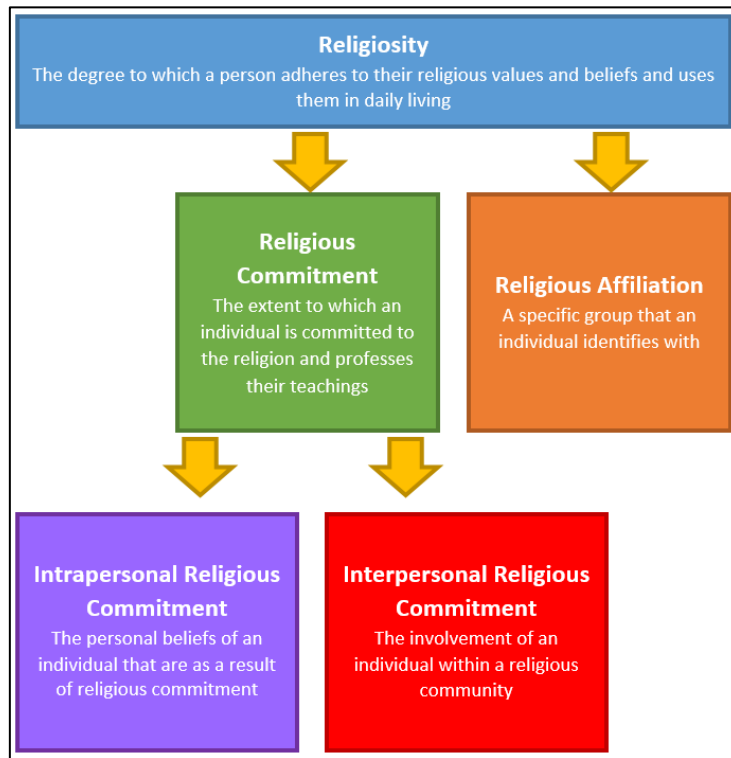
6.2.5.2 If Religiosity Had To Be Measured

Although for the purposes of the research question this thesis concluded that religiosity was too difficult to measure reliably, for some future studies religion will still need to be measured. Therefore, participants were also asked if they had to measure religion, how they would choose

to do so. Answers given include using one measurement, a combination of measurements, using different measures for different religions, different treatment for different research and creation of a religiosity scale.

Some participants cited the use of one measurement in religious research with the overwhelming suggestion being religious affiliation. This supports previous research by Eiya et al. (2016), who used religious affiliation in surveys to measure religiosity with the religiosity-tax compliance relationship. The main reason behind this decision was simplicity with particular reference to surveys. Asking for a participant's religious affiliation is one easy question in a survey. If any more questions were asked, although the degree of religiosity would be more accurate, it would take a participant more time to answer the questions and the researchers more time to process the data. Another reason for the support of one measurement is that it allows past research that has used this as a measure to be compared easily with current/future research. A change in measurement could produce different results and skew potential conclusions within this research area. However, as seen by the religiosity model (Figure 6.5), having a focus on religious affiliation is only part of the religiosity definition and thus the measurement criteria would need to be expanded. This supports previous research by Field (2014) who used religious affiliation statistics primarily derived from census statistics in the United Kingdom and concluded that this as a measure could be done.

Figure 6.5: Variables Influencing Religiosity



Source: Adapted from Worthington et al. (2003)

Overwhelmingly people suggested that if religion had to be measured, it should be done by using a combination of measurements. This also supports Field's (2014) conclusion that using a single, unitary indicator for religion is difficult and more indicators are preferred. Many participants felt that the use of religious affiliation was too simplistic a measure and that other factors needed to be considered in order to obtain a perspective on a participant's strength of religiosity. Some participants acknowledged their own personal experiences when making a decision as to what variables should be used. For example, a business owner who had a religious education felt that it should be included as a measure.

The main issue with this suggestion is that although participants agreed that a combination of measurements should be used, there was no consensus as to which measures should be used. The combination of measurements varied depending upon who was asked or what religion they were. Despite this, a trend began to emerge that the more difficult concepts to measure such as 'personal trust in religion' which are derived from a person's direct faith, are the more accurate in determining a person's religiosity status.

Referencing the particular issue of comparing different religious affiliations, one participant suggested the use of different measures within different religions and applying these to the creation of a religiosity scale. This reasoning builds upon the understanding that different religions cannot be measured on the same scale. The literature review highlighted the development of multiple religious scales in examining the relationship between religiosity and tax compliance including the WVS (Richardson, 2008; Stack & Kposowa, 2006; Torgler, 2003b, 2006, 2012), the European Values Survey (Feld & Torgler, 2007; Torgler & Schneider, 2007), opinion/city-wide surveys (Grasmick et al., 1991a; Grasmick et al., 1991b; Tittle & Welch, 1983; Torgler et al., 2008) and the development of one's own scale to suit a situation. For example, Welch et al. (1991) developed a factor-based scale to represent a parishioner's degree of private family-centered religious devotion as this is the independent variable of religiosity. In terms of the relationship between religiosity and tax compliance, further research needs to be conducted to determine which scale (if any) may be an appropriate method for measuring the relationship between religiosity and tax compliance. So far, as discussed in Chapter 3, the WVS has been the primary multi-variable/scale method.

Further research has highlighted several religiosity scales that have not yet been used in the examination of the relationship between religiosity and tax compliance. These include the Centrality of Religiosity Scale which is designed to measure the importance of religious meanings in personality through measuring five theoretical dimensions of public practice, private practice, religious experience, ideology and intellectual dimensions (Huber, 2003; Huber & Huber, 2012). Other measures could include the assessment of intrinsic and extrinsic orientation towards religion (Maltby & Day, 1998) and the Dimensions of Religiosity Scale to assess an individual's thoughts on religious behaviour, religious guidance, conviction and emotional involvement (DiDuca & Joseph, 1997; Joseph & DiDuca, 2007). In total over 170 scales have been created with the intention of measuring religiosity (Cutting & Walsh, 2008; Hill & Hood, 1999). Further research would be required in order to assess which of these scales is an appropriate measurement to use in analysing the religiosity-tax compliance relationship. However, without an accepted definition of religiosity, this task may be difficult. Therefore, in order for this topic to advance substantially in the future, it is recommended that the definition of religiosity be addressed.

Overall, the data shows there was no clear suggestion for how religion could be measured. This highlights the confusion in this topic area and reinforces the data from the section 6.2.5.1 which

states that religion is too difficult to measure accurately. Based on this, an accepted definition of religiosity would provide some backing needed to try and fix this issue. However as this is unlikely to happen, appropriate ways of religious measurement remains at the discretion of the researcher taking into account variables such as the method of data collection and social desirability bias (Hill & Hood, 1999).

6.3 Chapter Summary

This chapter provided an analysis of the results arising from the semi-structured interviews with accountants, small/medium business owners/managers and religious leaders. The first research question was created with the intention of establishing what participants thought about the topics of religion and tax compliance. Most participants believed that religion had a positive impact on tax compliance and thus there is a relationship between the two variables. Most believed that this positive relationship was important through influencing sub-issues such as civic duty, personal moral beliefs, culture and social norms. Despite the positive thoughts on the relationship between religion and tax compliance personally, many participants felt that the public perceived religiosity to be negatively associated with tax compliance. This conclusion was developed through the influencing of the sub-issues of system fairness, lack of understanding surrounding religion, a poor relationship with the IRD and the nature of society.

Despite the positive relationship between religiosity and tax compliance, participants felt that this relationship had a weaker influence on tax compliance when compared with other variables. Civic duty, New Zealand's PAYE system, the threat of punishment from the IRD and the use of an accountant had a strong positive influence on tax compliance. Fairness of the current New Zealand tax system, the taxpayers' relationship with the IRD and resource constraints had the strongest negative influence on tax compliance. Social norms, cultural influences and religiosity had a weak positive influence on tax compliance while the perception of the current government had a weak negative influence. The establishment of an influential relationship between religiosity and tax compliance remains an area for the IRD to investigate under their new compliance model.

Almost all the participants cited intrapersonal religious commitment (the personal belief/faith in religion and its teaching) as the most influential part of religiosity that influences the

relationship of religion and tax compliance. This is expected as all other previous studies that explored the definition of religiosity itself have discovered this. A few participants felt that intrapersonal and interpersonal religious commitment worked together to influence religiosity. This study is different from its predecessors in that cultural influences also emerged as influential within the definition of religiosity. This may be due to the fact that this study has been conducted in New Zealand which is a multi-cultural and multi-religious country. Therefore, with a New Zealand context, the religiosity diagram has been modified to include culture within its definition.

The study also found that most participants believe that religious morals and personal moral beliefs are two separate concepts that influence tax compliance. Reasons why include differences in opinion between religious beliefs and personal moral beliefs, the use of subconscious thinking and definition issues with religion. The most substantial issue with these findings was the ability to measure religious morals or personal moral beliefs. The participants could not suggest any method for measuring these characteristics, therefore this is an area for further research.

Lastly, participants felt that religion as a concept is too difficult to measure. This is due to a lack of definition surrounding religion, measurement issues surrounding a concept based on beliefs that are 'invisible' and the influences of social desirability bias. Participants were also asked how they would measure religion if they had to, regardless of the previous conclusion. Results were varied, thus indicating uncertainty surrounding the measurement of religion. Suggestions included using one variable for simplicity, a combination of variables and the creation of a religious scale so that religions could be compared. The use of a scale would require further research as the literature has suggested multiple scales that could be used. Taking all of this information into account, Chapter 7 provides a conclusion as well as the limitations and implications arising from this study.

Chapter 7:

Conclusions, Limitations and Future Research

7.1 Conclusions

As discussed in Chapter 1, the purpose of this thesis is adapted from Torgler (2003d, p.3):

To analyse people's thoughts of religiosity as a potential factor that affects tax morale, which we define as the intrinsic motivation to pay taxes, within a New Zealand context.

Given the research gaps in the literature, this thesis addressed the following research questions:

RQ 1: What is the public perception of the relationship between religiosity and tax compliance?

RQ 2: How strongly does religiosity impact on tax compliance compared with other variable(s) influence on tax compliance?

RQ 3: Which parts of religiosity influence components of tax compliance?

RQ 4: Is the association between religiosity and tax compliance beyond personal morale?

RQ 5: What do religious people perceive to be the appropriate variable(s) to measure religiosity?

Regarding the first question, the findings indicated that participants felt that religiosity has a positive influence on tax compliance. However, participants did not have a consensus on how religiosity could have a positive influence on tax compliance. Most participants felt that religiosity did not have a direct influence, rather religiosity effects various sub-issues which led to an increase in tax compliance. The most common sub-issues were civic duty, personal moral beliefs, culture and social norms. A smaller group of participants felt that religiosity has a direct influence on tax compliance through religious beliefs. In contrast to these findings, the participants felt the general (non-religious) public perception is that religiosity has a negative influence on tax compliance. System fairness, a lack of understanding concerning religiosity,

relationships with the IRD and the current nature of society towards religiosity were believed to be reasons why this was negative.

Regarding the second question, participants felt that religiosity had a weak positive effect compared with other tax compliance variables. This was mainly attributable to most participants feeling that religiosity has an influence through other variables rather than directly. Other weak positive variables from the data included cultural influences and social norms. The use of an accountant, the threat of punishment, source deduction and civic duty were identified as strong positive effects while fairness of the system, the relationship with the IRD, financial constraints and self-employment were found to have strong negative effects. Perception of the government was perceived to have a weak negative influence on tax compliance; however, this could be biased due to the General Election occurring around interviewing time.

For the third question, most participants felt that the intrapersonal religious commitment that arises from personal religious beliefs had the greatest influence on the religiosity-tax compliance relationship. Religious teachings and personal religious experiences that promote religious beliefs were found to be the main reasons why intrapersonal religious commitment is important to tax compliance and other life situations. Some participants felt that intrapersonal and interpersonal religious commitment work together in that the religious lessons absorbed by the taxpayer (intrapersonal) could be reinforced by the religious community (interpersonal). Religious culture also emerged from the interview data with many participants noting the role of cultural influences within their religious community. This reflects the inclusive and multi-cultural nature of New Zealand society which is not dominated by one religion or culture. Therefore, this thesis makes the recommendation that religious culture is added to Worthington et al.'s (2003) model on the definition of religiosity as some participants felt this was a part of religiosity that influences the religiosity-tax compliance relationship.

Overwhelmingly, participants concluded that the association between religiosity and tax compliance extends beyond personal moral beliefs. This was mainly due to the belief that participants were able to identify separate influences from religious morals and personal moral beliefs regardless of the outcome as well as areas where religious morals and personal moral beliefs contradicted. Some participants felt that there are some situations where religious morals and personal moral beliefs were the same due to internalisation. Internalisation involves the concept that a religious individual could internalise those religious morals so that they

become part of an individual's personal moral beliefs and therefore who they are. The difficulties in measuring religious morals and personal moral beliefs were also noted as they are based on faith which cannot be seen.

Finally, participants felt that religiosity as a concept was too broad to measure. A lack of definition surrounding religiosity, measurement issues surrounding a concept based on beliefs that cannot be seen and social desirability bias were considered reasons why. However, no majority was reached. Despite these conclusions, participants were also asked how they would measure religion if they had to. Suggestions included using one value for simplicity purposes, a combination of variables and the creation of a religious scale for comparison purposes. However, there was no dominant concept for measurement thus highlighting the issues with measuring religiosity for tax purposes and reinforcing conclusions that it cannot be measured.

7.2 Contribution to Knowledge

This thesis is significant as it is the first study to focus entirely on New Zealand which has relatively low levels of religiosity. Given our religious and cultural background, there is a clear lack of comparison between countries (Walkey & Purchas, 1997). This study has also contributed to the literature that is still being developed and discovered in a relevant emerging field.

This study is also one of the first to recognise a separation between personal moral beliefs and religious beliefs. A clear weakness in this field is the assumption that personal moral beliefs and religious beliefs are the same. This study also identifies the influence of other sub-issues on the religiosity-tax compliance relationship including culture and civic duty. This is the first study to understand that the religiosity-tax compliance relationship is a multi-faceted issue that the IRD should understand. This study is also one of the few that recognises the differences between intrapersonal and interpersonal religious commitment that were developed by Worthington et al. (2003). Failure to make this distinction has been a fundamental limitation in religiosity research (Mohdali & Pope, 2014).

This thesis concludes that religious commitment within the definition of religiosity requires consideration of religious culture. This is a substantial contribution to knowledge in that it

attempts to define religiosity as a concept, an issue which prevents this area from developing further. Although these conclusions will require reinforcement, it is the foundation for recognising the reliance of culture within religion in a diverse country.

This is one of the few pieces of research in this area that has used a qualitative approach in order to gain a deeper understanding surrounding human behaviour. Most other studies have used surveys using data from the WVS.

This study could enhance the IRD's understanding of the variables surrounding tax compliance. Given that the interviews in this study are exploring the role of other non-economic factors including taxpayers' relationship with the IRD, this allows the IRD to obtain a greater understanding of how New Zealand taxpayers make decisions. This understanding can lead to the development of programmes and policy that significantly enhance the relationship between the IRD and taxpayers to increase tax compliance.

7.3 Recommendations

The insights gained by this thesis could be applied in a policy context. Many participants found that their relationship with the IRD had a strong negative effect on tax compliance. Research shows that perceptions of the government and the tax authorities are built on fairness, equity and trust in the authority (Mohdali, 2013). The thesis concludes that high compliance costs, a lack of IRD's understanding of small businesses in particular and changing tax procedures have led to negative changes in people's perceptions on fairness, equity and trust surrounding the IRD. In particular, many participants felt that small businesses have greater compliance costs than their larger counterparts leading to perceptions of unfairness. This supports previous research by Alexander, Bell and Knowles (2005) and Ma (2015) who argue that New Zealand currently has a one-size-fits-all approach to taxation. Therefore, the IRD should aim for regulatory simplification surrounding tax compliance as well as improve communication channels for businesses. This could lead to an increase of trust in the system and an increase in the perceptions of fairness, leading to greater tax compliance.

Many participants also felt that the public perception of religion was a problem. This stemmed from the issue that registered religious organisations are exempt from paying taxes. Although

the intention of this exemption is to help organisations that are designed to help the community, some of the public perceive this as unfair. As the IRD needs to be focused on fairness, equity and trust in order to promote tax compliance, a tightening of, or further education on the current system may be required. The most common issue discussed where policy tightening could occur is the area of income earned by registered charities undertaking business activities that are separate from the normal operations of a charity.

This thesis has also shown that the threat of punishment is still an effective means to promote tax compliance. On this basis, it may be effective to further educate the general public on the rules and regulations surrounding tax compliance and the consequences if people do not comply. The potential increase in penalties for tax crimes may also compel people into complying.

7.4 Limitations

7.4.1 Scope of Research

The biggest limitation of this research is its scope due to time limitations. Although interviews were conducted throughout different industries, it would have been helpful to conduct interviews throughout many regional areas throughout the country. It would have been helpful to conduct a subsequent review after the interviews to see if time had an impact on people's opinions.

7.4.2 Social Desirability Bias

The topics of religion and tax compliance are sensitive topics. As the questions explore the impact of religion on tax compliance and tax morale, social desirability bias could have had an influence here.

7.4.3 Use of Definitions/Background Limitation

This thesis used Worthington et al.'s (2003) definition surrounding religiosity and this was the basis of some of the research and interview questions. This is a limitation as other literature on religiosity has not used these definitions, thus making it difficult for a true comparison of some religiosity-tax compliance research to be made. Religiosity as a topic is difficult as there is neither universal definition on religiosity nor a consensus on the best way to measure it. Therefore, until there are universally-accepted definitions, there is always going to be a background limitation in this area.

7.5 Future Research

As this is a relatively new and rapidly evolving topic, several areas for future research have been identified from this thesis. Firstly, this research has not included interviews with the Inland Revenue Department (IRD). Although this thesis was able to consider some of the IRD's views through the compliance model and annual reports, interviews with leaders and employees within the IRD could have provided additional understanding. However, the IRD is reluctant to permit such interviews

Secondly, this thesis argued that personal moral beliefs and religious beliefs are two separate concepts when discussing the relationship between religiosity and tax compliance. However, it was discovered that participants were unaware of how to measure this potential difference. A wide-ranging survey-based piece of research could be conducted to explore this measurement issue.

This research has established the role of cultural influences (referred to in Figure 6.4 as religious culture) on the relationship between religiosity and tax compliance. Further research would be required (in both New Zealand and abroad) to reinforce these conclusions as well as to establish why culture is an important element on the religiosity-tax compliance relationship. However, in order for this research to occur, culture (in particular religious culture) will need to be defined to prevent ambiguity. As well as this, the role of social norms within a cultural community (particularly in a New Zealand context) on the relationship between religion and

tax compliance has not been covered in detail. This could potentially be done with follow-up interviews with participants.

This research has introduced the role of various sub-issues (civic duty, personal moral beliefs, culture and social norms) on the religiosity-tax compliance relationship. As this has not been explored before, future research could consider reasons why these sub-issues are prominent. Subsequent research would also be required to substantiate this thesis's conclusions.

Out of the twenty participants, only two had been previously audited by the IRD. These experiences are influential on future compliance decisions. The influence of previous auditing experiences in New Zealand would make for a useful research topic.

Lastly, this research highlighted a contrast between religious people's perspectives on the religiosity-tax compliance relationship and what they perceive are non-religious people's perspectives on the religiosity-tax compliance relationship. Therefore, an area for future research would be interviewing non-religious people on their opinions on this relationship. The inclusion of non-religious people in a secular country such as New Zealand could give an additional insight into the entire nation from a religiosity-tax compliance perspective rather than just religious individuals' opinions.

Appendices

Appendix 1: Human Ethics Approval



HUMAN ETHICS COMMITTEE

Secretary, Rebecca Robinson
Telephone: +64 03 369 4588, Extn 94588
Email: human-ethics@canterbury.ac.nz

Ref: HEC 2018/13

10 April 2018

Renee Nicholson
Accounting and Information Systems
UNIVERSITY OF CANTERBURY

Dear Renee

The Human Ethics Committee advises that your research proposal "Religiosity and Tax Compliance: a Practical Study in New Zealand" has been considered and approved.

Please note that this approval is subject to the incorporation of the amendments you have provided in your email of 29th March 2018.

Best wishes for your project.

Yours sincerely

pp. R. Robinson

Professor Jane Maidment
Chair
University of Canterbury Human Ethics Committee

Appendix 2: Compliance Scenarios

Compliance Scenarios that could be included

Scenario One: Kim is a manager of his painting business. He has been a volunteer at his local church since his arrival in New Zealand over 20 years ago and is a regular church attender. Given Kim's community spirit, he has provided Danny (a distant cousin from his village back home) with a part-time painting job in his business. To enhance the cash benefit to Danny, all of Danny's work is off the books, cash-in hand jobs where no tax is paid.

Scenario Two: Lily is a manager of her clothing store that specialises in cultural patterns which reflect her heritage. In her spare time Lily loves hiking and volunteering her time on a committee at her local temple. Her business is in trouble and to help, her aunt has agreed to lend her the money needed to prevent bankruptcy. Instead of interest paid on this family loan, Lilly's aunt has asked for free clothes for her cousin's upcoming wedding. Lilly prepares an invoice for this clothing, but then reverses this invoice as a 'bad debt' to reduce her tax liability.

Scenario Three: Graham is a self-employed farmer based in Taranaki. He loves spending time with his extended family as well as volunteering at his local Lion's Club to help the community. Graham's farm suffered a severe drought in 2016 and therefore he was entitled to government assistance. This assistance was provided though calculating Graham's expected income for that year compared with actual income received. The government provided the difference in a cash pay-out. In order to demonstrate what he would have expected to earn, Graham has to provide proof of income/expenses. Graham creates documents increasing his projected income for the year in order to claim more money than he is entitled to. When asked, he says, "It's been a really rough year and I deserve a little more."

Scenario Four: Pania is a pet groomer who passionately volunteers at the SPCA in her spare time. In the weekends she opens her business and provides discounted for-cash services for underprivileged pets and their families. Although Pania is volunteering her time, none of the cash earned in the weekend is written into the accounting records of the pet grooming business. Instead, Pania spends it as she wishes (sometimes by making donations to the SPCA, but sometimes not). Therefore no tax is paid on this income.

Scenario Five: Ethan is a fourth year local student studying statistics at his local university. His passions include being president of the University's Muslim Students Society and being involved in his community. Struggling first year students have asked for Ethan's help through private tutoring before their upcoming exams. Ethan charges \$20/hour cash for his help and ends up tutoring 2 hours a week for 4 weeks. This cash is not recorded, nor is any tax paid on it.

Scenario Six: Beth is an owner and cashier at her local café that she opened in 2008. Despite her long work hours her passions include helping in her church community, and her cats. At the counter there is a tip jar where customers can leave cash tips. This consistently earns over \$200 per day which is divided between the three part-time employees at the end of each day, and often makes up half of the employees' daily income. These tips are not written in the business's books, nor returned for tax purposes.

Appendix 2: Compliance Scenarios

Scenario Seven: Taylor is a dedicated mechanic who runs a successful business in Nelson. Despite the success of his business, Taylor is facing personal financial pressures as a result of his upcoming wedding. To solve this problem, Taylor has offered the community mechanical services at a discount for cash during the weekends. Although his business' facilities are being used, nothing is recorded and therefore no tax is paid on this income.

Appendix 3: Information Sheet

Information Sheet

Renee Nicholson, Masters Student
Department of Accounting and Information Systems
Email: rmn41@ucolive.ac.nz
28 March 2018



Religiosity and Tax Compliance: A Practical Study in New Zealand Information Sheet for future participants

My name is Renee Nicholson. I am a Masters Student at the University of Canterbury. The purpose of my research is to develop an in-depth understanding of the relationship between religiosity and tax compliance that influences New Zealand taxpayers. My research involves semi-structured interviews with small-medium business owners, accountants, religious leaders and IRD employees all of whom have the potential to influence tax compliance and the relationship between religiosity and tax compliance.

If you choose to take part in this study, your involvement in this project will be participating in an interview which is expected to take approximately one hour. The interviews will be conducted in a location convenient to you and will be audio recorded and transcribed soon after.

In the performance of the tasks and application of the procedures there are risks of misrepresentation. To avoid this risk, you will be sent a copy of the interview questions before the interview. You have the opportunity to object to questions at any stage. You will also receive a transcription of the interview within two weeks. This allows the opportunity for you to review the transcribed data for any revisions. This may require a follow-up phone call or email correspondence, from the researcher for the purposes of clarification. If requested, a copy of the findings will be provided to you at the conclusion of the research.

Participation in this research is voluntary and you have the right to withdraw at any stage without any disadvantage to yourself. You may ask for your raw data to be returned to you or destroyed at any point. If you choose to withdraw, I will remove information relating to you. However once analysis of raw data starts on 15 May 2018, it will become increasingly difficult to remove the influence of your data on the results.

The results of the project may be published, but you may be assured of the complete confidentiality of data gathered in this investigation: your identity will not be made public without your prior consent. To ensure anonymity and confidentiality, all research documents shall be coded using a numerical system rather than using personal identities. Also, access to project data will not be available to anyone other than me and my project supervisors. No party will discuss the content of the transcripts with others. The data will be stored in a secure storage facility in the Accounting Department at the University of Canterbury. After five years it will be destroyed. The overall results of this project will be presented in a thesis which is a public document and will be available through the UC Library.

Please indicate to the researcher on the consent form if you would like to receive a copy of the summary of results of the project.

The project is being carried out as a requirement for a thesis which is a requirement for a Master's Degree in Accounting. The researcher, Renee Nicholson, is under the supervision of senior supervisor Mr Alistair Hodson and Dr Rob Vosslander, who can be contacted using the details below. They will be pleased to discuss any concerns you may have about participation in the project.

University of Canterbury, Private Bag 4800, Christchurch 8140, New Zealand www.canterbury.ac.nz

Appendix 3: Information Sheet

Alistair Hodson Department of Accounting and Information Systems University of Canterbury Phone: (03) 369 3703 E-Mail: alistair.hodson@canterbury.ac.nz	Rob Vosslander Department of Accounting and Information System University of Canterbury Phone: (03) 369 3727 E-Mail: rob.vosslander@canterbury.ac.nz
---	---

This project has been reviewed and approved by the University of Canterbury Human Ethics Committee, and participants should address any complaints to The Chair, Human Ethics Committee, University of Canterbury, Private Bag 4800, Christchurch (human-ethics@canterbury.ac.nz).

If you agree to participate in the study, you are asked to complete the consent form and return it via email to rmn41@ucfive.ac.nz

Thank you very much for your time and I look forward to hearing from you.

Yours sincerely,

Renee Nicholson
Masters Student
Department of Accounting and Information Systems
University of Canterbury

Appendix 4: Consent Form

Consent Form

College of Business and Law

Renee Nicholson, Masters Student
Department of Accounting and Information Systems

Email: rmn41@uclive.ac.nz
20 February 2018



Religiosity and Tax Compliance: A Practical Study in New Zealand Consent Form for participants

I have fully read the Information Sheet concerning the project and its intentions. Any questions and concerns have been fully answered to my satisfaction. I understand that I am able to request further information at any stage.

I know that:

- I have been given a full explanation of this project and have had the opportunity to ask questions.
- I understand what is required of me if I agree to take part in the research.
- I understand that participation is voluntary and I may withdraw from the research up until 31 May 2018 without disadvantage to myself. Withdrawal of participation will also include the withdrawal of any information I have provided should this remain practically achievable.
- I understand that any information or opinions I provide will be kept confidential to the researcher, the Master's Thesis and potentially further academic publications. Any published or reported results will not identify the participants or their institution.
- I understand the risks of misrepresentation will be managed through having the opportunity to review and revise, if necessary, my interview transcript.
- I understand the raw data will only be available to the researcher, supervisors and possibly a transcriber.
- I understand that a thesis is a public document and will be available through the University of Canterbury Library
- I understand that all data collected for the study will be kept in locked and secure facilities as well as in a password protected electronic form and will be destroyed after five years. I understand that I am able to receive a report on the findings of the study by contacting the researcher at the conclusion of the project.
- I understand that I can contact the researcher, Renee Nicholson through email (rmn41@uclive.ac.nz) or her supervisors Alistair Hodson at alistair.hodson@canterbury.ac.nz or Rob Vosslander at rob.vosslander@canterbury.ac.nz for further information. I also understand that if I have any complaints I can contact The Chair of the University of Canterbury Human Ethics Committee, Private Bag 4800, Christchurch (human-ethics@canterbury.ac.nz).
- I would like a summary of the results of the project.

Appendix 4: Consent Form

By signing below, I agree to participate in this research project.

Name: _____

Signed: _____

Date: _____

Email address (*for report of findings, if applicable*): _____

If you agree to participate in the study, you are asked to complete the consent form and return it, via email to: rmn41@uclive.ac.nz. Thank you very much for your time and I look forward to hearing from you.

Yours sincerely,

Renee Nicholson
Masters Student
Department of Accounting and Information Systems
University of Canterbury

Appendix 5: Interview Questions for Taxpayers

Interview Questions for Taxpayers

Opening Explanation

This is where I explain to the interviewee what my thesis is about

My thesis analyses the relationship between religiosity and tax compliance in New Zealand as an aspect of tax compliance. I have designed five questions;

- What is the public perception of the relationship between religiosity and tax compliance?
- How strongly does religiosity have an impact compared with the way other variables influence tax compliance?
- Which aspects of religiosity influence components of tax compliance?
- Is the association between religiosity and tax compliance beyond personal morale?
- What do people perceive to be the appropriate variables to measure religiosity?

In order to gain multiple perspectives, I will interview small/medium business owners, the IRD, religious leaders and accountants. Small/medium business owners are critical to consider as these are the groups of New Zealanders most likely to have external pressures when making tax compliance decisions.

Demographic Questions

1. Could you please tell me the following characteristics about you?
 - a. Your age (within a range of ages)
 - b. Your job title
 - c. A description of your job and activities involved in your job
 - d. How long have you been in charge of a business
 - e. What professional qualifications, (if any) you have
 - f. Your religious affiliation

Tax Compliance Questions

Explain the definition of tax compliance used in this thesis and all the variables that influence tax compliance including;

- *Penalties and shame*
- *Tax Influences diagram (APPENDIX 1)*

2. Based on the tax morale diagram, which do you believe is the most influential upon you, and why?

Religion

3. Previous research has established a relationship between religiosity and tax compliance. Do you believe this relationship exists? Why? Any personal experience?

Appendix 5: Interview Questions for Taxpayers

Explain that previous research in this area has assumed that religious morals are fully attributable to personal morals. Therefore they are the same.

4. Do you believe personal morals and religious morals can be separated?

Explain the model of tax compliance shown in my literature review (intrapersonal and interpersonal religious commitment). (APPENDIX 2)

5. Out of all of the variables explained in the diagram, which do you believe would be the most influential over [most affects?] tax compliance decisions? Why?

Explain that an issue with examining the relationship between religion and tax compliance is the meaning of religion and therefore ways in which to measure religion.

6. What do you understand by religion?

7. Can religiosity be measured? (Particularly with measuring the relationship between religiosity and tax compliance).

Torgler (2007) has suggested the following variables in a tax compliance context

Variables that can be observed such as;

- *Religious affiliation*
- *Degree of religiosity (how much an individual perceives themselves as religious)*
- *Religious education*
- *Religious home environment*
- *Church attendance*
- *Activeness in a religious group*

Variables that cannot be observed such as;

- *Importance of religion (tries to measure internalised religious convictions)*
- *Religious guidance (measures the obligation to follow particular rules that a religion says)*
- *Trust in religion (individual's belief in religion's authority to enforce norms)*

8. How would you measure religiosity?

Culture/Social Influences Questions

9. Do you believe that religion within a New Zealand context can influence taxpayers' tax compliance behaviour? How? Can you provide examples?

Explain the conclusions from Yong and Martin's (2017) paper.

10. Have any cultural or religious influences ever impacted upon your business?

Conclusion

11. What do you now believe to be the most influential factor of tax compliance? Why?

12. How strongly do you believe that religiosity influences tax compliance compared with the other variables we have discussed?

I will then reiterate my research questions to the interviewee and ask if they have anything else to add to the conversation in order to aid the answering of those research questions.

References

- Agbi, S. (2014). Assessing The Impacts Of Personal And Societal Norms And Public Status On Tax Morale And Shadow Economy Behaviors: A Worldwide Approach. *European Journal of Accounting Auditing and Finance Research*, 2(10), 48-66.
- Ajzen, I., & Fishbein, M. (1980). *Understanding Attitudes and Predicting Social Behaviour*. Englewood Cliffs, NJ: Prentice-Hall.
- Albaum, G. (1993). Questionnaire Design, Interviewing and Attitude Measurement. *Journal of Marketing Research*, 30(3), 393-395.
- Aldashev, G., & Platteau, J.-P. (2014). Religion, Culture, and Development. In V. A. Ginsburgh, & D. Throsby (Eds.), *Handbook of the Economics of Art and Culture* (Vol. 2, pp. 587-631). Amsterdam, Netherlands: Elsevier.
- Alexander, W. R. J., Bell, J. D., & Knowles, S. (2005). Quantifying Compliance Costs of Small Businesses in New Zealand. *New Zealand Economic Papers*, 39(1), 37-50.
- Allingham, M. G., & Sandmo, A. (1972). Income Tax Evasion: A Theoretical Analysis. *Journal of Public Economics*, 1, 323-338.
- Alm, J., Bloomquist, K. M., & McKee, M. (2017). When You Know Your Neighbour Pays Taxes: Information, Peer Effects and Tax Compliance. *Fiscal Studies*, 38(4), 587-613.
- Alm, J., Jackson, B. R., & McKee, M. (1992a). Estimating the Determinants of Taxpayer Compliance with Experimental Data. *Economic Development and Cultural Change*, 39(4), 107-114.
- Alm, J., McClelland, G. H., & Schulze, W. D. (1992b). Why do People Pay Taxes? *Journal of Public Economics*, 48(1), 21-38.
- Alm, J., McClelland, G. H., & Schulze, W. D. (1999). Changing the Social Norm of Tax Compliance by Voting. *Kyklos*, 52(2), 141-171.
- Alm, J., & McKee, M. (1998). Extending the Lessons of Laboratory Experiments on Tax Compliance to Managerial and Decision Economics. *Managerial and Decision Economics*, 19, 259-275.

- Alm, J., Sanchez, I., & De Juan, A. (1995). Economic and Noneconomic Factors in Tax Compliance. *Kyklos*, 48(1), 1-18.
- Alm, J., & Torgler, B. (2006). Culture Differences and Tax Morale in the United States and in Europe. *Journal of Economic Psychology*, 27(2), 224-246.
- Alvesson, M. (2003). Beyond Neopositivists, Romantics, and Localists: A Reflexive Approach to Interviews in Organizational Research. *Academy of Management Review*, 28(1), 13-33.
- Barriball, K. L., & While, A. (1994). Collecting Data Using a Semi-Structured Interview: A Discussion Paper. *Journal of Advanced Nursing*, 19(2), 328-335.
- Baskerville, R. F. (2003). Hofstede Never Studied Culture. *Accounting, Organizations and Society*, 28(1), 1-14.
- BBC. (2009). Salat: Daily Prayers. Retrieved from <http://www.bbc.co.uk/religion/religions/islam/practices/salat.shtml>
- Becker, G. S. (1968). Crime and Punishment: An Economic Approach. *Journal of Political Economy*, 76(2), 169-217
- Benk, S., Budak, T., Püren, S., & Erdem, M. (2015). Perception of Tax Evasion as a Crime in Turkey. *Journal of Money Laundering Control*, 18(1), 99-111.
- Birch, A., Peters, T., & Sawyer, A. (2003). New Zealanders' Attitudes towards Tax Evasion: A Demographic Analysis. *New Zealand Journal of Taxation Law and Policy*, 9(1), 65-109.
- Blumenthal, M., Christian, C., Slemrod, J., & Smith, M. G. (2001). Do Normative Appeals affect Tax Compliance? Evidence from a Controlled Experiment in Minnesota. *National Tax Journal*, 125-138.
- Bobek, D. D., Hageman, A. M., & Kelliher, C. F. (2013). Analyzing the Role of Social Norms in Tax Compliance Behavior. *Journal of Business Ethics*, 115(3), 451-468.
- Bobek, D. D., Roberts, R. W., & Sweeney, J. T. (2007). The Social Norms of Tax Compliance: Evidence from Australia, Singapore, and the United States. *Journal of Business Ethics*, 74(1), 49-64.

- Bruce, D. (2000). Effects of the United States Tax System on Transitions into Self-Employment. *Labour Economics*, 7(5), 545-574.
- Bryman, A., & Bell, E. (2015). *Business Research Methods* (4th ed.). Oxford, United Kingdom: Oxford University Press.
- Bullard, G. (2016). The World's Newest Major Religion: No Religion. Retrieved from <https://news.nationalgeographic.com/2016/04/160422-atheism-agnostic-secular-nones-rising-religion/>
- Business Dictionary. (2018). What is an Accountant? Definition and Meaning. Retrieved from <http://www.businessdictionary.com/definition/accountant.html>
- CathNews New Zealand. (2018). Petition Seeks to Make All Religious Institutions Pay Tax. Retrieved from <https://cathnews.co.nz/2018/03/15/petition-religious-institutions-pay-tax/>
- Chang, O. H., Nichols, D. R., & Schultz, J. J. (1987). Taxpayer Attitudes toward Tax Audit Risk. *Journal of Economic Psychology*, 8(3), 299-309.
- Chua, W. F. (1986). Radical Developments in Accounting Thought. *The Accounting Review*, 61(4), 601-632.
- Cialdini, R. B. (1989). Social Motivations to Comply: Norms, Values and Principles. *Taxpayer Compliance*, 2, 200-227.
- Clotfelter, C. T. (1983). Tax Evasion and Tax Rates: An Analysis of Individual Returns. *The Review of Economics and Statistics*, 65(3), 363-373.
- Collins, M., Shattell, M., & Thomas, S. P. (2005). Problematic Interviewee Behaviors in Qualitative Research. *Western Journal of Nursing Research*, 27(2), 188-199.
- Copeland, A. J., & Agosto, D. E. (2012). Diagrams and Relational Maps: The use of Graphic Elicitation Techniques with Interviewing for Data Collection, Analysis, and Display. *International Journal of Qualitative Methods*, 11(5), 513-533.
- Cox, D., & Plumley, A. (1988). *Analyses of Voluntary Compliance Rates for Different Income Source Classes*. (Unpublished Manuscript), Research Division, IRS, Washington, DC.

- Creswell, J. W. (2009). *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches* (3rd ed.). London, United Kingdom: Sage.
- Croucher, S. M., Zeng, C., Rahmani, D., & Sommier, M. (2017). Religion, Culture, and Communication. In J. Nussbaum (Ed.) *Oxford Research Encyclopedia of Communication*. Oxford, United Kingdom: Oxford University Press.
- Cuccia, A. D. (1994). The Economics of Tax Compliance: What do we know and where do we go? *Journal of Accounting Literature*, 13(1), 81-116.
- Cutting, M., & Walsh, M. (2008). Religiosity Scales: What are we measuring in whom? *Archive for the Psychology of Religion*, 30(1), 137-153.
- Damayanti, T. W., Sutrisno, T., Subekti, I., & Baridwan, Z. (2015). The Role of Taxpayer's Perception of the Government and Society to Improve Tax Compliance. *Accounting and Finance Research*, 4(1), 180-187.
- Delener, N. (1990). An Examination of the Religious Influences as Predictors of Consumer Innovativeness. *Journal of Midwest Marketing*, 5, 167-178.
- Denzin, N. K. (1989). *The Research Act: A Theoretical Introduction to Sociological Methods* (3rd ed.). Englewood Cliffs, NJ.: Prentice Hall.
- Devos, K. (2014). *Factors Influencing Individual Taxpayer Compliance Behaviour*. Amsterdam, Netherlands: Springer.
- DiDuca, D., & Joseph, S. (1997). Schizotypal Traits and Dimensions of Religiosity. *British Journal of Clinical Psychology*, 36(4), 635-638.
- Dinham, A. (2016, December). What is Religious Literacy? *On Religion*. Retrieved from <http://www.onreligion.co.uk/what-is-religious-literacy-qa-with-adam-dinham/>
- Eiya, O., Ilaboya, O., & Okoye, A. (2016). Religiosity and Tax Compliance: Empirical Evidence from Nigeria. *Igbinedion University Journal of Accounting*, 1, 27-41.
- Elmir, R., Schmied, V., Jackson, D., & Wilkes, L. (2011). Interviewing People About Potentially Sensitive Topics. *Nurse Researcher*, 19(1), 12-16.
- Elster, J. (1989). Social Norms and Economic Theory. *The Journal of Economic Perspectives*, 3(4), 99-117.

- Engström, P., & Holmlund, B. (2009). Tax Evasion and Self-Employment in a High-Tax Country: Evidence from Sweden. *Applied Economics*, 41(19), 2419-2430.
- Etzioni, O. (1988). Hypothesis filtering: A Practical Approach to Reliable Learning. *Proceedings of the Fifth International Conference on Machine Learning* (pp. 416-429). Ann Arbor, MI: Morgan Kaufmann.
- Evans, C., & Tran-Nam, B. (2014). Tax Compliance Costs in New Zealand: An International Comparative Evaluation. *New Zealand Journal of Taxation Law and Policy*, 20(4), 339-361.
- Fehr, E., & Falk, A. (2002). Psychological Foundations of Incentives. *European Economic Review*, 46(4), 687-724.
- Feld, L., & Frey, B. S. (2002a). *The Tax Authority and the Taxpayer: An Exploratory Analysis*. (Unpublished Manuscript), University of Zürich, Switzerland.
- Feld, L., & Frey, B. S. (2002b). Trust Breeds Trust: How Taxpayers are Treated. *Economics of Governance*, 3(2), 87-99.
- Feld, L., & Frey, B. S. (2003). Deterrence and Tax Morale: How Tax Administrations and Taxpayers Interact. *OECD Papers*, 3(10), 1-19.
- Feld, L., & Frey, B. S. (2007). Tax Compliance as the Result of a Psychological Tax Contract: The Role of Incentives and Responsive Regulation. *Law & Policy*, 29(1), 102-120.
- Feld, L. & Frey, B. S. (2010). Tax evasion and the psychological tax contract. In: Alm, J., Martinez-Vazquez, J. & Torgler, B. (Eds.), *Developing Alternative Framework for Explaining Tax Compliance* (pp. 74-94). Abingdon, United Kingdom: Routledge.
- Feld, L., & Torgler, B. (2007). Tax Morale After the Reunification of Germany: Results from a Quasi-Natural Experiment. CESifo Working Paper No. 1921, CESifo Group, Munich.
- Field, C. D. (2014). Measuring Religious Affiliation in Great Britain: The 2011 Census in Historical and Methodological Context. *Religion*, 44(3), 357-382.

- Fischer, C. M., Wartick, M., & Mark, M. M. (1992). Detection Probability and Taxpayer Compliance: A Review of the Literature. *Journal of Accounting Literature*, 11(1), 1-46.
- Frey, B. S. (1997). A Constitution for Knaves Crowds Out Civic Virtues. *The Economic Journal*, 107(443), 1043-1053.
- Frey, B. S. (2003). Deterrence and Tax Morale in the European Union. *European Review*, 11(3), 385-406.
- Frey, B. S., & Torgler, B. (2007). Tax Morale and Conditional Cooperation. *Journal of Comparative Economics*, 35(1), 136-159.
- Fukuyama, F. (1995). *Trust: The Social Virtues and the Creation of Prosperity*. New York, NY: Free Press.
- Gangl, K., Hofmann, E., & Kirchler, E. (2012). *Tax Authorities' Interaction with Taxpayers: Compliance by Power and Trust*. WU International Taxation Research Paper Series. No. 2012-06. Retrieved from https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2174917 (Accessed 19 December 2017).
- Gangl, K., Hofmann, E., & Kirchler, E. (2015). Tax Authorities' Interaction with Taxpayers: A Conception of Compliance in Social Dilemmas by Power and Trust. *New Ideas in Psychology*, 37(0), 13-23.
- Gemmell, N., & Ratto, M. (2017). *The Effects of Penalty Information on Tax Compliance: Evidence from a New Zealand Field Experiment*. Working Papers in Public Finance. No. 2017-03. Retrieved from <https://researcharchive.vuw.ac.nz/xmlui/bitstream/handle/10063/6769/Working%20Paper.pdf?sequence=1> (Accessed 1 December 2017).
- Gernon, H., & Wallace, R. S. O. (1995). International Accounting Research: A Review of its Ecology, Contending Theories and Methodologies. *Journal of Accounting Literature*, 14, 54-106.
- Graetz, M. J., Reinganum, J. F., & Wilde, L. L. (1986). The Tax Compliance Game: Toward an Interactive Theory of Law Enforcement. *Journal of Law, Economics, & Organization*, 2(1), 1-32.

- Graetz, M. J., & Wilde, L. L. (1985). The Economics of Tax Compliance: Fact and Fantasy. *National Tax Journal*, 38(3), 355-363.
- Grasmick, H., & Bursik, R. (1990). Conscience, Significant Others, and Rational Choice: Extending the Deterrence Model. *Law and Society Review*, 24(3), 837-861.
- Grasmick, H., Bursik, R., & Cochran, J. (1991a). "Render unto Caesar What is Caesar's": Religiosity and Taxpayers' Inclinations to Cheat. *The Sociological Quarterly*, 32(2), 251-266.
- Grasmick, H., Kinsey, K., & Cochran, J. (1991b). Denomination, Religiosity and Compliance with the Law: A Study of Adults. *Journal for the Scientific Study of Religion*, 30(1), 99-107.
- Grimm, P. (2010). Social Desirability Bias. Retrieved from <https://onlinelibrary.wiley.com/doi/pdf/10.1002/9781444316568.wiem02057>
- Guest, G., Bunce, A., & Johnson, L. (2006). How Many Interviews are Enough? An Experiment with Data Saturation and Variability. *Field methods*, 18(1), 59-82.
- Gupta, R. (2009). An Empirical Study of Demographics of Perceptions of Tax Evasion in New Zealand. *Journal of Australian Taxation*, 12(1), 1-40.
- Gupta, R., & Sawyer, A. J. (2015). The Costs of Compliance and Associated Benefits for Small and Medium Enterprises in New Zealand: Some Recent Findings. *Australian Tax Forum*, 30(1), 135-177.
- Hadaway, C. K., Marler, P. L., & Chaves, M. (1993). What the Polls Don't Show: A Closer Look at US church Attendance. *American Sociological Review*, 58(6), 741-752.
- Halla, M. (2012). Tax Morale and Compliance Behavior: First Evidence on a Causal link. *The B.E. Journal of Economic Analysis & Policy* 12(1), 285-298.
- Hamid, S. A. (2013). *Tax Compliance Behaviour of Tax Agents: A Comparative Study of Malaysia and New Zealand*. (Doctoral thesis, University of Canterbury, Christchurch, New Zealand). Retrieved from [https://ir.canterbury.ac.nz/bitstream/handle/10092/9426/thesis_fulltext.pdf?sequence=](https://ir.canterbury.ac.nz/bitstream/handle/10092/9426/thesis_fulltext.pdf?sequence=1)

- Hanno, D. M., & Violette, G. R. (1996). An Analysis of Moral and Social Influences on Taxpayer Behavior. *Behavioral Research in Accounting*, 8, 57-75.
- Hill, P. C., & Hood, R. W., Jr. (1999). *Measures of Religiosity*. Birmingham, AL: Religious Education Press.
- Hirschman, E. C. (1983). Religious Affiliation and Consumption Processes: An Initial Paradigm. *Research in Marketing*, 6(1), 131-170.
- Hite, P. A. (1988). The Effect of Peer Reporting Behavior on Taxpayer Compliance. *The Journal of the American Taxation Association*, 9(2), 47-64.
- Hofstede, G. (1980). Culture and Organizations. *International Studies of Management & Organization*, 10(4), 15-41.
- Hofstede, G. (1984). Cultural Dimensions in Management and Planning. *Asia Pacific Journal of Management*, 1(2), 81-99.
- Hofstede, G. (1991). *Cultures and Organizations: Software of the Mind*. London, United Kingdom: McGraw-Hill.
- Hofstede, G. (2011). Dimensionalizing Cultures: The Hofstede Model in Context. *Online Readings in Psychology and Culture*, 2(1), 1-26.
- Hofstede, G. & Bond, M. H. (1988). The Confucius Connection: From Cultural Roots to Economic Growth. *Organizational Dynamics*, 16, 4-21.
- Hofstede, G., Hofstede, G. J. & Minkov, M. (2010). *Cultures and Organizations: Software of the Mind* (3rd ed.). New York: McGraw-Hill.
- Huber, S. (2003). Zentralität und Inhalt. Ein neues multidimensionales Messmodell der Religiosität. [Centality and Content. A Multidimensional Measurement Model of Religiosity]. Opladen, Germany: Leske & Budrich.
- Huber, S., & Huber, O. W. (2012). The Centrality of Religiosity Scale (CRS). *Religions*, 3(3), 710-724.
- Human Rights Commission. (2009). *Religious Diversity in Aotearoa New Zealand*. Retrieved from <https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=7&cad=rja&uact=8&ved=2ahUKEwi7ure->

mZHgAhUNeysKHY8zBbcQFjAGegQIBBAC&url=https%3A%2F%2Fwww.hrc.co.nz%2Ffiles%2F5314%2F2387%2F7075%2F27-Aug-2009_09-44-53_Religious_Diversity_09_Web.pdf&usg=AOvVaw3nXzNDOzi5QOAMI3ESUDGu

Inland Revenue Department. (2011). *Annual Report 2011*. Retrieved from <http://www.ird.govt.nz>

Inland Revenue Department. (2013). *Annual Report 2013*. Retrieved from <http://www.ird.govt.nz>

Inland Revenue Department. (2015). *Annual Report 2015*. Retrieved from <http://www.ird.govt.nz>

Inland Revenue Department. (2016). *Statement of Intent 2016-20*. Retrieved from https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=2ahUKEWjawanu2Hs_bfAhVPcCsKHZhdAGAQFjAAegQIBBAC&url=https%3A%2F%2Fwww.ird.govt.nz%2Fresources%2F4%2F5%2F4576ff3c-2e12-458a-abf1-e586e8596ce0%2Fsoi2016.pdf&usg=AOvVaw0ESrtoR7Rr3pHPIuQtWzfT

Inland Revenue Department. (2017). *Annual Report 2017*. Retrieved from <http://www.ird.govt.nz>

Inland Revenue Department. (2018). *Charitable Organisations*. Retrieved from <https://www.ird.govt.nz/charitable-organisations/chart-orgs-intro/chart-orgs-intro.html>

Isbell, T. (2017). *Tax Compliance: Africans Affirm Civic Duty but Lack Trust in Tax Department*. Afrobarometer Policy Paper. No. 43. Retrieved from https://scholar.google.co.nz/scholar?hl=en&as_sdt=2005&cites=3636885043096774325&scipsc=&q=Isbell%2C+T.+%282017%29.+Tax+compliance%3A+Africans+affirm+civic+duty+but+lack+trust+in+tax+department.+&btnG=

Jackson, B. R., & Milliron, V. C. (1986). Tax Compliance Research: Findings, Problems, and Prospects. *Journal of Accounting Literature*, 5(1), 125-165.

James, S., & Alley, C. (2002). Tax Compliance, Self-Assessment and Tax Administration. *Journal of Finance Management in Public Services*, 2(2), 27-42.

- Jimenez, P., & Iyer, G. S. (2016). Tax Compliance in a Social Setting: The Influence of Social Norms, Trust in Government, and Perceived Fairness on Taxpayer Compliance. *Advances in Accounting*, 34, 17-26.
- Johnson, B. R., Jang, S. J., Larson, D. B., & De Li, S. (2001). Does Adolescent Religious Commitment Matter? A Reexamination of the Effects of Religiosity on Delinquency. *Journal of Research in Crime and Delinquency*, 38(1), 22-44.
- Joseph, S., & DiDuca, D. (2007). The Dimensions of Religiosity Scale: 20-Item Self-Report Measure of Religious Preoccupation, Guidance, Conviction, and Emotional Involvement. *Mental Health, Religion and Culture*, 10(6), 603-608.
- Kahneman, D., & Tversky, A. (1979). Prospect Theory: An Analysis of Decision under Risk. *Econometrica*, 47(2), 263-292.
- Kaplan, S. E., & Reckers, P. M. J. (1985). A Study of Tax Evasion Judgments. *National Tax Journal*, 38(1), 97-102.
- Kazmer, M. M., & Xie, B. (2008). Qualitative Interviewing in Internet Studies: Playing with the Media, Playing with the Method. *Information, Community and Society*, 11(2), 257-278.
- King, S., & Sheffrin, S. M. (2002). Tax Evasion and Equity Theory: An Investigative Approach. *International Tax and Public Finance*, 9(4), 505-521.
- Kinsey, K. A. (1986). Theories and models of tax cheating. *Criminal Justice Abstracts*, 18, 403-425.
- Kirchler, E. (1999). Reactance to Taxation: Employers' Attitudes Towards Taxes. *The Journal of Socio-Economics*, 28(2), 131-138.
- Kirchler, E. (2007). *The Economic Psychology of Tax Behaviour*. Cambridge, United Kingdom: Cambridge University Press.
- Kirchler, E., Hoelzl, E., & Wahl, I. (2008). Enforced versus Voluntary Tax Compliance: The "Slippery Slope" Framework. *Journal of Economic Psychology*, 29(2), 210-225.
- Kirchler, E., & Maciejovsky, B. (2001). Tax Compliance within the Context of Gain and Loss Situations, Expected and Current Asset Position, and Profession. *Journal of Economic Psychology*, 22(2), 173-194.

- Kohn, M. L. (1987). Cross-National Research as an Analytic Strategy. *American Sociological Review*, 52, 713-731.
- Kvale, S. (1983). The Qualitative Research Interview: A Phenomenological and a Hermeneutical Mode of Understanding. *Journal of Phenomenological Psychology*, 14(2), 171-196.
- Lavrakas, P. J. (2008). *Encyclopedia of survey research methods*. Thousand Oaks, CA: Sage Publications.
- Lewis, A. (1982). The Social Psychology of Taxation. *British Journal of Social Psychology*, 21(2), 151-158.
- Ma, D. (2015). *Small Business Tax Compliance Burden: What can be done to Level the Playing Field?* (Master's thesis, University of Canterbury, Christchurch, New Zealand). Retrieved from <https://ir.canterbury.ac.nz/bitstream/handle/10092/10457/MastersDavid.pdf?sequence=1>
- Maltby, J., & Day, L. (1998). Amending a Measure of the Quest Religious Orientation: Applicability of the Scale's use Among Religious and Non-Religious Persons. *Personality and Individual Differences*, 25(3), 517-522.
- Marandu, E. E., Mbekomize, C. J., & Ifezue, A. N. (2015). Determinants of Tax Compliance: A Review of Factors and Conceptualizations. *International Journal of Economics and Finance*, 7(9), 207-218.
- Mataira, K., & Prescott, S. M. (2010). *The Tax and Accounting Compliance Hurdles for Tongan Entrepreneurs in New Zealand*. APIRA: Sydney, Australia.
- McCracken, G. (1988). *The Long Interview: Qualitative Research Methods*. Newbury Park, CA: Sage.
- McCrae, R. R., & Costa, P. T. (1990). *Personality in Adulthood*. New York, NY: Guilford Press.
- McKerchar, M. (2010). *Design & Conduct of Research in Tax, Law & Accounting*. Sydney, Australia: Thomson Reuters.

- McKerchar, M., Bloomquist, K., & Pope, J. (2013). Indicators of Tax Morale: An Exploratory Study. *eJournal of Tax Research*, 11(1), 5-22.
- McKerchar, M., & Evans, C. (2009). Sustaining Growth in Developing Economies through Improved Taxpayer Compliance: Challenges for Policy Makers and Revenue Authorities. *eJournal of Tax Research*, 7(2), 171-201.
- McLisky, I. B. (2011). The Compliance and Penalty Regime: Its Role as a Compliance Instrument in Combating the Criminalisation of Tax Fraud in New Zealand. (Master's thesis, Massey University, Manawatu, New Zealand). Retrieved from https://mro.massey.ac.nz/bitstream/handle/10179/2838/02_whole.pdf?sequence=2&isAllowed=y
- Milliron, V., & Toy, D. (1988). Tax Compliance: An Investigation of Key Features. *The Journal of the American Taxation Association*, 9(1), 84-104.
- Minichiello, V., Aroni, R., Timewell, E., & Alexander, L. (1990). *In-Depth Interviewing: Researching People*. Melbourne, Australia: Longman Cheshire.
- Ministry of Business Innovation & Employment. (2014). The Small Business Sector Report. Retrieved from <https://www.mbie.govt.nz/dmsdocument/3951-small-business-sector-report-2014>
- Ministry of Economic Development. (2011). SMEs in New Zealand: Structure and Dynamics 2011. Retrieved from <http://www.mbie.govt.nz/info-services/business/business-growth-and-internationalisation/documents-image-library/Structure-and-Dynamics-2011.pdf>
- Mohdali, R. (2013). *The Influence of Religiosity on Tax Compliance in Malaysia*. (Doctoral thesis, Curtin University, Perth, Australia). Retrieved from https://espace.curtin.edu.au/bitstream/handle/20.500.11937/2069/192008_Mohd%20Ali2013.pdf?sequence=2
- Mohdali, R., Benk, S., Budak, T., MohdIsa, K., & Yussof, S. H. (2017). A Cross-Cultural Study of Religiosity and Tax Compliance Attitudes in Malaysia and Turkey. *eJournal of Tax Research*, 15(3), 490-505.

- Mohdali, R., & Pope, J. (2014). The Influence of Religiosity on Taxpayers' Compliance Attitudes: Empirical Evidence from a Mixed-Methods Study in Malaysia. *Accounting Research Journal*, 27(1), 71-91.
- Murphy, K. (2004). The Role of Trust in Nurturing Compliance: A Study of Accused Tax Avoiders. *Law and Human Behavior*, 28(2), 187-209.
- Murphy, K. (2008). Enforcing Tax Compliance: To Punish or Persuade? *Economic Analysis and Policy*, 38(1), 113-135.
- NationMaster. (2018). Religions: Countries Compared. Retrieved from <https://www.nationmaster.com/country-info/stats/Religion/Religions>
- Newell, B. R., Lagnado, D. A., & Shanks, D. R. (2007). *Straight Choices: The Psychology of Decision Making*. Hove, United Kingdom: Psychology Press.
- Oltmann, S. M. (2016). Qualitative Interviews: A Methodological Discussion of the Interviewer and Respondent Contexts. *Forum: Qualitative Social Research*, 17(2), 1-16.
- Orviska, M., & Hudson, J. (2002). Tax Evasion, Civic Duty and the Law Abiding Citizen. *European Journal of Political Economy*, 19(1), 83-102.
- Oxford Dictionary. (2017). Definition of Moral in English. Retrieved from <https://en.oxforddictionaries.com/definition/moral>
- Patton, M. Q. (1990). *Qualitative Research and Evaluation Methods* (2nd ed.). London, United Kingdom: Sage.
- Patton, M. Q. (2002). *Qualitative Research and Evaluation Methods* (3rd ed.). Thousand Oaks, CA: Sage.
- Petee, T. A., Milner, T. F., & Welch, M. R. (1994). Levels of Social Integration in Group Contexts and the Effects of Informal Sanction Threat on Deviance. *Criminology*, 32(1), 85-106.
- Pew Research Center. (2015). U.S. Public Becoming Less Religious. Retrieved from <http://www.pewforum.org/2015/11/03/u-s-public-becoming-less-religious/>

- Pew Research Center. (2017). 5 Facts on How Americans View the Bible and Other Religious Texts. Retrieved from <http://www.pewresearch.org/fact-tank/2017/04/14/5-facts-on-how-americans-view-the-bible-and-other-religious-texts/>
- Pope, J., & McKerchar, M. (2011). Understanding Tax Morale and its Effect on Individual Taxpayer Compliance. *British Tax Review*, 5, 587-601.
- Pope, J., & Mohdali, R. (2010). The Role of Religiosity in Tax Morale and Tax Compliance. *Australian Tax Forum*, 25(4), 565-596.
- Porcano, T. M. (1988). Correlates of Tax Evasion. *Journal of Economic Psychology*, 9(1), 47-67.
- Punch, K. F. (2005). *Introduction to Social Research: Quantitative and Qualitative Approaches* (2nd ed.). London, United Kingdom: Sage.
- Putnam, R. D., Leonardi, R., & Nanetti, R. Y. (1993). *Making Democracy Work: Civic Traditions in Modern Italy*. Princeton, NJ: Princeton University Press.
- Qu, S. Q., & Dumay, J. (2011). The Qualitative Research Interview. *Qualitative Research in Accounting & Management*, 8(3), 238-264.
- Reckers, P. M. J., Sanders, D. L., & Roark, S. J. (1994). The Influence of Ethical Attitudes on Taxpayer Compliance. *National Tax Journal*, 47(4), 825-836.
- Regnerus, M. D., & Uecker, J. E. (2007). Religious Influences on Sensitive Self-Reported Behaviors: The Product of Social Desirability, Deceit, or Embarrassment? *Sociology of Religion*, 68(2), 145-163.
- Riahi-Belkaoui, A. (2004). Relationship between Tax Compliance Internationally and Selected Determinants of Tax Morale. *Journal of International Accounting, Auditing and Taxation*, 13(2), 135-143.
- Richardson, G. (2005). An Exploratory Cross-Cultural Study of Tax Fairness Perceptions and Tax Compliance Behavior in Australia and Hong Kong. *International Tax Journal*, 31(1), 11-67.
- Richardson, G. (2008). The Relationship between Culture and Tax Evasion across Countries: Additional Evidence and Extensions. *Journal of International Accounting, Auditing and Taxation*, 17(2), 67-78.

- Richardson, M., & Sawyer, A. J. (2001). A Taxonomy of the Tax Compliance Literature: Further Findings, Problems and Prospects. *Australian Tax Forum*, 16(2), 137-320.
- Rillstone, J. M. (2015). *Rewarding Taxpayers: A Possible Method to Improve Tax Compliance in New Zealand?* (Master's thesis, University of Canterbury, Christchurch, New Zealand). Retrieved from https://ir.canterbury.ac.nz/bitstream/handle/10092/11368/thesis_fulltext.pdf?sequence=1&isAllowed=y
- Robben, H. S. J., Webley, P., Elffers, H., & Hessing, D. J. (1990). Decision Frames, Opportunity and Tax Evasion: An Experimental Approach. *Journal of Economic Behavior & Organization*, 14(3), 353-361.
- Ronan, P., & Ramalefane, N. R. (2007). The Phenomenon of Tax Evasion. Retrieved from <https://www.redbubble.com/people/fiateuro/journal/388894-the-phenomenon-of-tax-evasion>
- Saad, N. (2012). Tax Non-Compliance Behaviour: Taxpayers View. *Procedia - Social and Behavioral Sciences*, 65, 344-351.
- Sandmo, A. (2005). The Theory of Tax Evasion: A Retrospective View. *National Tax Journal*, 58(4), 643-663.
- Sawyer, A. (2006). Industry Partnerships and Targeted Amnesties at Ingrained Evasion-A New Approach to an Old Tax Problem? *Revenue Law Journal*, 16(1), 25-55.
- Schepanski, A., & Shearer, T. (1995). A Prospect Theory Account of the Income Tax Withholding Phenomenon. *Organizational Behavior and Human Decision Processes*, 63(2), 174-186.
- Schilbrack, K. (2013). What Isn't Religion? *The Journal of Religion*, 93(3), 291-318.
- Schmölders, G. (1959). Fiscal psychology: A New Branch of Public Finance. *National Tax Journal*, 12(4), 340-345.
- Schmölders, G. (1970). Survey Research in Public Finance: A Behavioural Approach to Fiscal Theory. *Public Finance*, 25(2), 300-306.
- Schwartz, R. D., & Orleans, S. (1967). On Legal Sanctions. *The University of Chicago Law Review*, 34(2), 274-300.

- Shafer, W. E., & Simmons, R. S. (2008). Social responsibility, Machiavellianism and tax avoidance: A study of Hong Kong tax professionals. *Accounting, Auditing & Accountability Journal*, 21(5), 695-720.
- Sherwood, H. (2018). Religion: Why Faith is Becoming More and More Popular. Retrieved from <https://www.theguardian.com/news/2018/aug/27/religion-why-is-faith-growing-and-what-happens-next>
- Silver, B. D., & Dowley, K. M. (2000). Measuring Political Culture in Multiethnic Societies: Reaggregating the World Values Survey. *Comparative Political Studies*, 33(4), 517-550.
- Slemrod, J. (1998). On Voluntary Compliance, Voluntary Taxes, and Social Capital. *National Tax Journal*, 51(3), 485-491.
- Slemrod, J. (2007). Cheating Ourselves: The Economics of Tax Evasion. *Journal of Economic Perspectives*, 21(1), 25-48.
- Smart, M. (2012). *The Application of the Theory of Planned Behavior and Structural Equation Modelling to Tax Compliance Behaviour: A New Zealand Study*. (Doctoral thesis, University of Canterbury, Christchurch, New Zealand). Retrieved from https://ir.canterbury.ac.nz/bitstream/handle/10092/7528/thesis_fulltext.pdf?sequence=1&isAllowed=y
- Smith, I., Sawkins, J. W., & Seaman, P. T. (1998). The Economics of Religious Participation: A Cross-Country Study. *Kyklos*, 51(1), 25-44.
- Smith, K. W., & Kinsey, K. A. (1987). Understanding Taxpaying Behavior: A Conceptual Framework with Implications for Research. *Law and Society Review*, 21(4), 639-663.
- Song, Y.-D., & Yarbrough, T. E. (1978). Tax ethics and Taxpayer Attitudes: A Survey. *Public Administration Review*, 38(5) 442-452.
- Spicer, M. W., & Becker, L. A. (1980). Fiscal Inequity and Tax Evasion: An Experimental Approach. *National Tax Journal*, 33(2), 171-175.
- Spicer, M. W., & Lundstedt, S. B. (1976). Understanding Tax Evasion. *Public Finance*, 31(2), 295-305.

- Spinter Research. (2018). Face-to-Face Interview. Retrieved from <http://www.spinter.lt/site/en/vidinis/vidmenu/face-to-face-interview>
- Stack, S., & Kposowa, A. (2006). The Effect of Religiosity on Tax Fraud Acceptability: A Cross-National Analysis. *Journal for the Scientific Study of Religion*, 45(3), 325-351.
- Statistics New Zealand. (2013). Census QuickStats About Culture and Identity. Retrieved from <http://www.stats.govt.nz/Census/2013-census/profile-and-summary-reports/quickstats-culture-identity/religion.aspx>
- Strümpel, B. (1969). The Contribution of Survey Research to Public Finance. In A. T. Peacock (Ed.). *Quantitative Analysis in Public Finance* (pp. 13-38). New York, NY: Praeger.
- Sudman, S., & Bradburn, N. M. (1983). *Asking Questions: A Practical Guide to Questionnaire Design*. San Francisco, CA: Jossey-Bass.
- Tan, L. M. (1997). Coping with Tax Obligations: A Preliminary Study of Some Small Firms in New Zealand. *Australian Tax Forum*, 13, 337-360.
- Tan, L. M., & Sawyer, A. J. (2003). A Synopsis of Taxpayer Compliance Studies: Overseas vis-a-vis New Zealand. *New Zealand Journal of Taxation Law and Policy*, 9(4), 431-454.
- Tanaka, K. (2010). Limitations for Measuring Religion in a Different Cultural Context - The Case of Japan. *The Social Science Journal*, 47(4), 845-852.
- Tax Working Group. (2010). A Tax System for New Zealand's Future. Retrieved from <https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=2ahUKEwiW4rnomZHgAhVMAHIKHwZ8A4kQFjAAegQIAhAC&url=https%3A%2F%2Fwww.victoria.ac.nz%2Fsacl%2Fcentres-and-institutes%2Fcagtr%2Fpdf%2Ftax-report-website.pdf&usg=AOvVaw1DO-F8j0-uqCzGG4v1jCsD>
- Tax Working Group. (2018). Hidden Economy. Retrieved from https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=5&cad=rja&uact=8&ved=2ahUKEwi6_KfhtfbfAhUIXysKHU7ZDD8QFjAEegQIBxAC&url=https%3A%2F%2Ftaxworkinggroup.govt.nz%2Fsites%2Fdefault%2Ffiles%2F2018-

09%2Ftwg-bg-3985456-hidden-
economy.pdf&usg=AOvVaw1uiPstR9IkDBYrdEXCkHI1

- ThoughtCo. (2018). Homogeneous Groups in Education. Retrieved from <https://www.thoughtco.com/homogeneous-groups-in-educational-settings-2081647>
- Tittle, C. R., & Welch, M. R. (1983). Religiosity and Deviance: Toward a Contingency Theory of Constraining Effects. *Social Forces*, 61(3), 653-682.
- Torgler, B. (2002). Speaking to Theorists and Searching for Facts: Tax Morale and Tax Compliance in Experiments. *Journal of Economic Surveys*, 16(5), 657-683.
- Torgler, B. (2003a). Tax Morale: Theory and Empirical Analysis of Tax Compliance. (Doctoral thesis, University of Basel, Basel, Switzerland). Retrieved from https://edoc.unibas.ch/56/1/DissB_6463.pdf
- Torgler, B. (2003b). Tax Morale, Rule-Governed Behaviour and Trust. *Constitutional Political Economy*, 14(2), 119-140.
- Torgler, B. (2003c). To Evade Taxes or Not to Evade: That is the Question. *The Journal of Socio-Economics*, 32(3), 283-302.
- Torgler, B. (2003d). *The Importance of Faith: Tax Morale and Religiosity*. Center for Research in Economics, Management and the Arts Working Paper Series. No. 2003-08. Retrieved from <http://www.crema-research.ch/papers/2003-08.pdf>
- Torgler, B. (2004). Cross-Culture Comparison of Tax Morale and Tax Compliance: Evidence from Costa Rica and Switzerland. *International Journal of Comparative Sociology*, 45(1-2), 17-43.
- Torgler, B. (2005). Tax Morale and Direct Democracy. *European Journal of Political Economy*, 21(2), 525-531.
- Torgler, B. (2006). The Importance of Faith: Tax Morale and Religiosity. *Journal of Economic Behavior & Organization*, 61(1), 81-109.
- Torgler, B. (2007). *Tax Compliance and Tax Morale: A Theoretical and Empirical Analysis*. Cheltenham, United Kingdom: Edward Elgar.

- Torgler, B. (2012). Attitudes toward Paying Taxes in the USA: An Empirical Analysis The Ethics of Tax Evasion. In McGee, R. W. W. (Ed.), *The Ethics of Tax Evasion: Perspectives in Theory and Practice* (pp. 269-283). New York, NY: Springer.
- Torgler, B., Demir, I. C., Macintyre, A., & Schaffner, M. (2008). Causes and Consequences of Tax Morale: An Empirical Investigation. *Economic Analysis and Policy*, 38(2), 313-339.
- Torgler, B., & Schneider, F. (2007). What Shapes Attitudes Toward Paying Taxes? Evidence from Multicultural European Countries. *Social Science Quarterly*, 88(2), 443-470.
- Treviño, L. K., den Nieuwenboer, N. A., Kreiner, G. E., & Bishop, D. G. (2014). Legitimizing the Legitimate: A Grounded Theory Study of Legitimacy Work Among Ethics and Compliance Officers. *Organizational Behavior and Human Decision Processes*, 123(2), 186-205.
- Tsakumis, G. T., Curatola, A. P., & Porcano, T. M. (2007). The Relation Between National Cultural Dimensions and Tax Evasion. *Journal of International Accounting, Auditing and Taxation*, 16(2), 131-147.
- Tversky, A., & Kahneman, D. (1981). The Framing of Decisions and the Psychology of Choice. *Science*, 211, 453-458.
- UC Davis. (n.d). Sampling: Types of Samples. Retrieved from <http://psc.dss.ucdavis.edu/sommerb/sommerdemo/sampling/types.htm>
- Vogel, J. (1974). Taxation and Public Opinion in Sweden: An Interpretation of Recent Survey Data. *National Tax Journal*, 27(1), 499-513.
- Walkey, C., & Purchas, G. (1997). Prospect Theory: Is It Relevant to Taxation Non-Compliance? *Australian Tax Forum*, 14, 143-178.
- Wallschutzky, I. G. (1984). Possible Causes of Tax Evasion. *Journal of Economic Psychology*, 5(4), 371-384.
- Walsh, K. (2012). Understanding Taxpayer Behaviour – New Opportunities for Tax Administration. *The Economic and Social Review*, 43(3), 451-475.

- Welch, M. R., Tittle, C. R., & Petee, T. (1991). Religion and Deviance among Adult Catholics: A Test of the "Moral Communities" Hypothesis. *Journal for the Scientific Study of Religion*, 30(2), 159-172.
- Welch, M. R., Xu, Y., Bjarnason, T., Petee, T., O'Donnell, P., & Magro, P. (2005). But Everybody Does It: The Effects of Perceptions, Moral Pressures, and Informal Sanctions on Tax Cheating. *Sociological Spectrum*, 25(1), 21-52.
- Wenzel, M. (2004). An Analysis of Norm Processes in Tax Compliance. *Journal of Economic Psychology*, 25(2), 213-228.
- Wilson, J. Q. (1993). The moral sense. *American Political Science Review*, 87(1), 1-11.
- Witte, A. D., & Woodbury, D. F. (1985). The Effect of Tax Laws and Tax Administration on Tax Compliance: The Case of the US Individual Income Tax. *National Tax Journal*, 38(1), 1-13.
- Wood, R. W. (2017). IRS Can't Tax Churches, But Fake Ones Can Trigger Tax Evasion Charges. Retrieved from <https://www.forbes.com/sites/robertwood/2017/04/13/irs-cant-tax-churches-but-fake-churches-can-trigger-tax-evasion-charges/#2fbf117a276e>
- World Values Survey. (n.d.). WVS Association (WVSA). Retrieved from <http://www.worldvaluessurvey.org/WVSContents.jsp?CMSID=WVSA>
- Worthington, E. L., Wade, N. G., Hight, T. L., Ripley, J. S., McCullough, M. E., Berry, J. W., . . . O'Connor, L. (2003). The Religious Commitment Inventory-10: Development, Refinement, and Validation of a Brief Scale for Research and Counseling. *Journal of Counseling Psychology*, 50(1), 84-96.
- Wu, R. C. (2012). *A Study on the Appropriateness for Adopting 'Universal' Definitions for Tax Compliance and Non-Compliance: A New Zealand Case Study Approach*. (Master's thesis, University of Canterbury, Christchurch, New Zealand). Retrieved from https://ir.canterbury.ac.nz/bitstream/handle/10092/7609/thesis_fulltextpdf.pdf?sequence=1
- Yong, S. (2011). *Tax Compliance and Small and Medium Enterprise Operators: An Intra-Cultural Study in New Zealand*. (Doctoral thesis, Auckland University of Technology, Auckland, New Zealand). Retrieved from

<http://aut.researchgateway.ac.nz/bitstream/handle/10292/3055/YongS.pdf?sequence=4&isAllowed=y>

Yong, S., & Martin, F. (2017). Tax Compliance of Ethnic Minority Immigrant Entrepreneurs: A Social Capital Perspective. *eJournal of Tax research*, 15(1), 51–76.

Your Dictionary. (2018). Religious Leader Dictionary Definition. Retrieved from <http://www.yourdictionary.com/religious-leader>

Zinowsky, T. (2016). Tax Professionals' Tax Aggressiveness: Experimental Evidence on the Impact of Personality Traits, Preparer Penalties, and Market Regulation. (Doctoral thesis, Gottfried Wilhelm Leibniz Universität Hannover, Hannover, Germany). Retrieved from https://www.steuern.uni-hannover.de/fileadmin/steuern/team/Mitarbeiter/Diss_Zinowsky.pdf