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(Occasional Papers)

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by Giovanni D'Alessio

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WHAT DO ITALIANS THINK ABOUT TAX EVASION?

by Giovanni D'Alessio*

Abstract

The paper shows the opinions on taxes of Italian citizens based on data gathered in four different national surveys between 1992 and 2013. Through a Principal Component Analysis, the study constructs a synthetic indicator of the propensity to evade, examining its intensity across various social groups and its evolution over time. The results show that the propensity to evade taxes is greater among households whose heads have low levels of education and income, are elderly and are resident in the South. Over time, the propensity to evade taxes has been growing on average, especially in the North, which has reduced the gap compared with the South, and among young people under 30 years old. The paper also shows a link between the propensity for tax evasion and some indicators of actual evasion, such as the use of cash and the under-reporting behaviour in the Survey of Household Income and Wealth (SHIW) conducted by the Bank of Italy, confirming the association between cultural elements and evasion behaviour.

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*If you drive a car, I'll tax the street,
If you try to sit, I'll tax your seat
If you get too cold, I'll tax the heat,
If you take a walk, I'll tax your feet*

Taxman, George Harrison
(The Beatles), 1966

*We should have the courage to say that
taxes are a beautiful and very civilized
thing, a way of contributing all together to
essential goods such as health, safety,
education and the environment.*

Tommaso Padoa Schioppa
In mezz'ora, Rai3, 2007

1. Introduction¹

Tax evasion is a considerable problem in Italy; according to the Ministry of Economy and Finance (2019) the overall tax and social security evasion, on average over the period 2014-2016, amounts to approximately €110 billion, of which 90 per cent is missing tax revenues and the remaining 10 per cent from missing contributions. In percentage terms, the share of taxes and contributions evaded on the total amount theoretically due is approximately one third overall, with a peak exceeding two thirds for the personal income tax due from self-employed workers.

Tax evasion not only has an impact on the public budget, but on other areas too. As regards the design of the tax system, tax evasion tends to orient the levy on the tax bases that is more difficult to subtract from taxation, such as, for example, employees in the case of income, and real estate for wealth. It also introduces distortions among economic agents, altering the conditions of competition on the markets, with negative impacts on the efficiency of the whole system. Moreover, tax evasion implies unequal treatment for individuals with equal economic conditions (horizontal inequity), reducing cohesion within the population (Senato della Repubblica, 2018).

Tax evasion is a complex phenomenon and cannot be explained by a single factor. As already highlighted in the seminal paper on tax compliance by Allingham and Sandmo (1972), it derives primarily from the opportunistic behaviour of taxpayers; faced with the obligation to pay taxes, the individual evaluates the optimal strategy to be adopted on the basis of the amount of tax due - in turn dependent on the level of income and tax rates - of his propensity to risk, of the probability of a tax audit and of the amount of the penalties envisaged. Evasion is therefore also affected by the efficiency and the ability of the public administration to ascertain it, the sanctions and how the assessment is carried out.

Tax evasion is a phenomenon that is also correlated with the characteristics of a country's productive structure. In Italy, the productive system is highly fragmented and the share of self-employed workers on total employment is much higher than in other European countries. The small size of the companies and the high diffusion of independent work increase the difficulties for the financial administration in exercising tax audits. The high number of subjects to be checked would require a more widespread, and expensive assessment (Cannari, Ceriani and D'Alessio, 1995).

Several authors have shown that the reasonable probability of tax audits, the sanctions envisaged, and people's levels of risk aversion are unable to fully explain the true rates of tax compliance (Alm, McClelland and Schulze, 1992; Slemrod, 2007).²

¹ I would like to thank Luigi Cannari and Silvia Fabiani for the suggestions provided on an earlier version of the paper. The opinions expressed in this article are mine alone and do not necessarily represent the views of the Bank of Italy.

² Galbiati and Zanella (2012) suggest that controls are performed inefficiently in Italy, leading to an underestimation of the likelihood of being checked.

Tax morale, or rather the set of non-opportunistic motivations that contribute to compliance with tax rules, is recognized as an important factor by many scholars and international organizations (Torgler, 2011; Luttmer, Singhal, 2014; OECD, 2015 and 2019).

The choices of individuals on the subject of tax evasion are conditioned by the culture and social norms within a community.³ According to Filippin, Fiorio and Viviano (2013), high levels of tax morale are often due to intrinsic motivations, i.e. connected people's deepest ethical convictions; contextual factors, on the other hand, explain the lower levels of tax morale. In Italy, the attitude to paying taxes appears positively linked to the efficiency of the public administration (Barone and Mocetti, 2011). More generally, tax morale is positively associated with satisfaction with public services and the perception of low levels of corruption.⁴

International studies (OECD, 2019) report the relationship between tax morale and trust in democracy, in the State and in its role of redistribution in favour of the weakest. Feld and Frey (2006) also show a positive link between the direct democracy that characterizes Switzerland and tax morale.

DeBacker, Heim and Tran (2012) show that cultural effects have a significant impact on the compliance of taxpayers: entrepreneurs operating abroad tend to maintain the evasion behaviours from their country of origin. A study by Dwenger et al. (2014) highlights the importance of moral convictions, showing, for example, that for the taxes due to some Protestant churches, for which there are practically no sanctions, over 20 per cent of taxpayers pay what is formally due, if not more, purely on the basis of moral obligation.

Some experimental studies have tried to measure the effectiveness of sending motivational or informative letters, with mixed results, sometimes modest, other times significant in terms of induced behaviours (Hite, 1997; Blumenthal, 2001; Torgler, 2004; Bott, 2017). De Neve et al. (2019), who conducted some experiments in Belgium, report that sending messages that recall some elements of civic virtue relating to taxation do not seem to have an effect, but working on information and on simplification (as well as on deterrence) can lead to a recovery of the taxable amount.

In this framework, it is interesting to investigate how the opinions of Italian households on the issues of tax evasion and tax duties have evolved from the early 1990s to recent years.

This analysis, which expands on a previous study on the same topic by Cannari and D'Alessio (2007),⁵ presents, for the first time, the information available on the tax opinions of Italian citizens collected in four different sample surveys between 1992 and 2013.

³ See, among others, Gordon (1989), Erard and Feinstein (1994), Fortin, Lacroix and Villeval (2004), Wenzel (2002), Lewis et al. (2009).

⁴ On the importance of factors such as the perception of equity and fairness of the tax system, the taxpayer's judgment on the quality of public spending and the complexity of the tax system, see Androni, Erard and Feinstein (1998), Feld and Frey (2006), Cummings et al. (2004, 2005, 2009) and Alasfour et al. (2016). For a review of the literature on the ethics of tax evasion, see McGee (2006). For a review of the empirical findings on the determinants of tax morale, see Horodnic (2018).

⁵ For an analysis of Italian data, see also Fiorio and Zanardi (2006).

The work is mainly based on data from the Survey of Household Income and Wealth (SHIW) conducted by the Bank of Italy with reference to 2004 and partly replicated in the supplementary survey on 2013. In these surveys there were some questions aimed at detecting opinions concerning the relationship between citizens and tax evasion. These questions replicated similar questions posed in a survey conducted by the Ministry of Finance in 1992 and then by Censis in 1995. This makes it possible to compare the attitudes and preferences of taxpayers over time, in very different socio-economic contexts.

For an international comparison, some evidence from the World Values Survey and the European Value Study was used, which make possible comparative analyses of attitudes and cultural values on a global scale since the 1980s. Although this is not always very up-to-date information, it allows us to place the Italian phenomenon in the international context.⁶

This work mainly uses a measure of the propensity to evade, which is based on the opinions of citizens and not on facts. On the one hand, this measure has the disadvantage of being subjective and not necessarily indicative of effective evasion behaviour. For the propensity to translate into effective evasion, it is in fact necessary that there is the actual possibility of doing so. However, the measure thus constructed has the advantage of providing information on the attitude towards tax evasion of the entire population, even of those who are not in a position to evade, such as employees. Moreover, the data used are available at the household level, together with a wide range of other social, demographic and economic indicators, allowing the main determinants of opinions on tax evasion to be analysed.

The paper is organized as follows: after having illustrated the data used in the analyses in Section 2, Section 3 examines the attitude of Italian households towards tax evasion, as shown by the answers provided by the interviewees in the various surveys. Section 4 computes a synthetic indicator of the propensity to evade, which is analysed in relation to the characteristics of taxpayers and over time. Section 5 provides some comparative elements from an international perspective while Section 6 presents the main conclusions.

2. The data

The first available survey on the opinions on tax evasion of Italian households dates back to 1992. In that year, following a series of corruption scandals that occurred especially in northern Italy, a strong movement opposing the central state and its forms of taxation was recorded. The Ministry of Finance then decided to conduct a sample survey with the aim of ascertaining the level of knowledge of taxpayers on tax matters, exploring attitudes and opinions on the fiscal regime in force at the time, and in particular on the level of taxation, the phenomenon of tax evasion and the most effective tools for fighting it.

⁶ The World Values Survey and the European Value Study are conducted by networks of researchers from universities all around the world; they collect information for over 80 countries, with surveys repeated approximately every five years. The data are available online at the following addresses: <http://www.worldvaluessurvey.org> and <https://europeanvaluesstudy.eu/>.

The sample of 696 taxpayers was extracted from the tax registry lists among those who had submitted returns using the 730 or 101 model in 1990. The sample was stratified based on the geographical area, the demographic size of the municipality of residence and the type of income received (pure employees; employees and other; self-employed; from business; others), and was interviewed in person (under the constraint of anonymity), in November-December 1992, by professional interviewers coordinated by a company specialized in conducting sample surveys.

In this survey's questionnaire, the questions on tax evasion were designed to capture the degree of agreement regarding statements referring to a generic citizen rather than asking the interviewee for information relating to their own specific behaviour. In this way we derive information on the respondents' propensity to evade, without direct reference to behaviour for which it would be reasonable to assume a strong reticence.

In order to evaluate the evolution over time of opinions on tax evasion, the Bank of Italy put a special focus section on taxation in the 2004 SHIW questionnaire, replicating some questions already present in the survey conducted in 1992. These questions were asked of a random subsample constituted by 3,796 heads of household (Bank of Italy, 2006).

A further monographic section on tax evasion is contained in the survey that the Bank of Italy conducted in 2013 on a subsample of about 2,000 households already interviewed in the 2012 SHIW.⁷ The survey collected information on several questions already posed in the two aforementioned surveys.

These three surveys are complemented by a further survey on tax opinions carried out in 1995 by Censis, again on behalf of the Ministry of Finance, on a sample of 997 taxpayers, whose content was very similar to that of 1992.

Since microdata are not available for this survey and we only have information on the results published in the final report prepared at the time (Censis, 1995), the present work proceeded by applying a microdata reconstruction technique already tested on historical data (Cannari and D'Alessio, 2018). In particular, the survey on 1992 was taken as a reference, which is the closest in time to that of 1995 for which we intend to estimate microdata by modifying the sample weights of the units using raking⁸ techniques until the constraints are satisfied. In this way, synthetic microdata are derived, compatible with the 1995 results. These data allow analyzes to be carried out that would not be possible using only the data of the original tables, thereby widening the sample available for the 1990s.

⁷ In 2013 and 2015, to acquire more information on household conditions in a period of particular crisis for the Italian economy, the Bank of Italy conducted two additional surveys, supplementing the usual surveys conducted every two years (in 2012, 2014 and 2016). These surveys were both conducted on a sample of about 2,000 households. The 2013 survey also contained, among other things, a section on tax morale (Bank of Italy, 2015).

⁸ Raking is a calibration technique that allows the sample weights to simultaneously be aligned with marginal distributions known from external sources. The method is also known as Iterative Proportional Fitting (Deville and Sarndal, 1992).

In particular, I considered eight variables, reporting opinions relating to the following tax issues: severity of the evasion phenomenon, where taxes levied on citizens should be spent, payment of taxes when deemed unjust, in the presence of inefficient public spending, with tax rates that are too high, with complicated mechanisms, and with little risk of being checked.⁹

At the end of the procedure, the 1995 synthetic data incorporate a large amount of information from the 1992 data, such as the relationships among variables, and among variables and subjects with certain characteristics. These relationships are assumed to be unchanged between the two periods, net of the part which can be taken into account through the constraints considered. In practice, the rather high number of variables considered as constraints and the relative proximity of the two periods should reduce the risks due to extrapolation. Nonetheless, a certain caution in analysing the results of this period is necessary.

To make international comparisons on the degree of tolerance of tax evasion, I use data taken from the World Value Survey and the European Value Study. Since the 1980s, these projects have collected information on issues relating to society and its values in many countries, including sometimes those relating to tax issues.¹⁰

For Italy, information regarding tax evasion is available for the years 1981, 1990, 1999, 2009 and 2018, on samples equal to 1,348, 2,018, 2,000, 1,519 and 2,259 units respectively. In particular, the question posed in the survey is the following: Could you please tell me if you think that ‘evading taxes’ can always be justified, never justified or an intermediate option? (Interviewer: read the statement and code the answer with a score from 1 to 10 with 1 = never justified and 10 = always justified).

For the 1999 and 2009 surveys, the information collected by asking a similar question regarding the possibility of ‘paying in cash to evade taxes’ is also available.

Lastly, only the 1999 survey has information available on the perception of the degree of diffusion of tax evasion for Italy as for many other countries, (the question was ‘Do the citizens of your country evade taxes?, with the answers being ‘Almost all, Many, Some, Almost none).

3. Attitude towards tax evasion

Tax evasion is considered an important problem by most respondents; in 2013, about 90 per cent considered it serious or very serious (Table 1; Figure 1). The awareness of Italians of the seriousness of tax evasion seems to have strengthened over time. The share of those who considered the phenomenon serious or very serious in the

⁹ The raking procedure was performed considering the binary variables opposing those who are very or fairly in agreement with the considered statements to those who are not. In this way, the number of constraints included in the procedure is limited, which indirectly tends to be reflected in a lower variability of sampling weights and therefore in the stability of the results. In this case, the standard deviation of weighting coefficients increases from 0.68 to 1.03.

¹⁰ The first survey in 1981 involved ten European countries, including Italy, hence the original name of the European Values Study (EVS). The project quickly aroused interest in other countries as well, so the study has gradually extended to non-European countries such as the United States, Canada, Australia, South Africa and many others. In recent years, the survey has covered over 50 countries.

surveys carried out in 1992, 1995 and 2004 was lower, and equal to 83, 80.1 and 76.4 per cent respectively.¹¹ Compared with the past, the change has been particularly significant in the South, which in 2013 was substantially aligned with the Centre and the North, closing a gap of around 10 percentage points. As to the work status, the perception of seriousness was quite transversal in 2013, with slightly lower levels among the self-employed.

In 2013, the share of taxes and duties evaded was estimated by respondents to be around one third, as in the 1990s, but more than in 2004 (27.3 per cent).¹² The self-employed estimated levels of evasion about 2 percentage points lower than employees and retirees did (the gap was about 5 percentage points in 1992) (Table 2).

About one third of households believed that a taxpayer's chances of being checked are low or none, a perception that is higher among retirees and less among the self-employed (35.5 and 17.1 per cent respectively). The share appears to be decreasing compared with previous surveys (-7.2 percentage points compared with 2004 and -14.5 compared with 1992), probably as a result of the measures aimed at contrasting tax evasion gradually introduced over the years. In 2013, however, more than 80 per cent wanted an increase in tax controls; this percentage is about 16 percentage points greater than in 2004 but about 10 points lower than it was in the 1990s.

Among the various statements submitted for assessment by the respondents, those that receive the highest consensus, with about 90 per cent of opinions in agreement, are those that see 'one of the fundamental duties of a citizen' in the payment of taxes and those that recall the criteria of equality ('a citizen pays taxes more willingly if he knows that everyone pays them') and efficiency ('a citizen willingly pays taxes if the state works well') (Table 3).

Among the possible justifications for tax evasion, in 2013, the one that refers to marginal situations that, with the payment of taxes, would end up exiting the market ('Some citizens are forced to evade taxes to keep their business going'), collected widespread consent, with 61.1 per cent, over 20 percentage points more than in 2004. There is also a widespread perception that 'there is little risk in not paying' (60.1 per cent; it was 54.8 in 2004) and of tax rates that are too high (57.1 per cent; it was 44.4 in 2004).

Lower levels of agreement are found for the statements that refer to the principle of not paying taxes deemed to be 'unfair' and to procedures being too complicated (24.4 and 24.6 per cent respectively). The first statement is about 8 percentage points lower than in the 1990s, while the second was only slightly higher in 1992 but peaks at 41.7 per cent in 1995, probably due to the effects of the controversy that unfolded in the

¹¹ See Cannari and D'Alessio (2007).

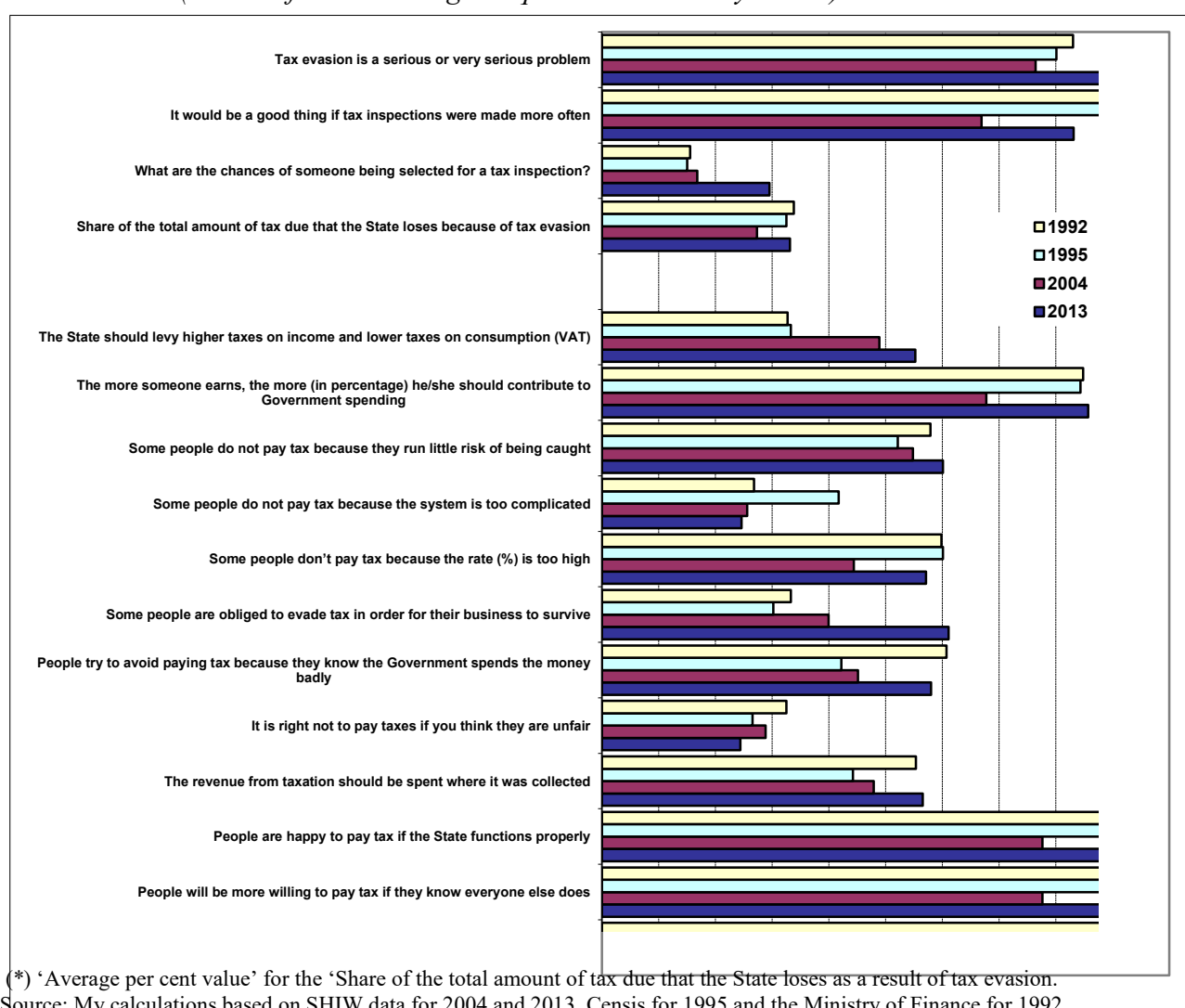
¹² The point estimate, obtained by attributing the central value of the classes to the answers expressed in classes, is very similar to the estimate derived recently by the Ministry of Economy and Finance (2019).

1990s following the introduction of new tax forms (known as the ‘740’), which were much more complex for taxpayers to fill in than in the past.¹³

At the beginning of the 1990s, the share of those who were very much or fairly in agreement with the statement ‘Tax money should be spent where it was collected’ was over half; after a fall below 50 per cent in the surveys of 1995 and 2004, in 2013 it was again above this threshold. As expected, the consensus is more widespread in the richer regions in the North than in the poorer South, with a gap of over 10 percentage points. The Centre is the least favourable geographic area to this hypothesis, with a gap of about 15 percentage points with the North (from almost 30 in 1992) (Table 3).

Figure 1

Opinions on tax evasion: 1992, 1995, 2004 and 2013
(shares of those who agree ‘quite a lot’ or ‘very much’)^(*)



¹³ In the first half of the 1990s, the Ministry of Finance produced a tax form (740) that was particularly onerous to fill in, in which a great deal of ancillary information was requested, such as electric utilities, the number plates of cars owned, TV licences, domestic workers and insurance policies. The form was described as "lunacy" by the then President of the Republic, Oscar Luigi Scalfaro, because some of it was so absurd.

4. A synthetic measure of the propensity to evade

The number of aspects examined characterizing the relationship between the tax authorities and citizens makes it difficult to derive a synthetic judgment on how the propensity for tax evasion is spread across population groups and how it has evolved over the years.

In order to build a synthetic indicator of the attitude towards tax evasion, the Principal Component Analysis was applied to the answers provided by the respondents to the questions most directly linked to the phenomenon (Table 4). Since all the variables are expressed on the same scale, i.e. the level of agreement with values in the 1-5 range, the method has been applied to the covariance matrix. However, in order to evaluate the stability of the results, the analysis was also conducted on the correlation matrix, which assigns all variables the same weight, regardless of their variability.

Since the data relating to four surveys are available, the two analyses mentioned above have been replicated with two different approaches: 1) assigning equal weight to the sum of the observations for each year, in order to obtain an average principal component between these surveys; and 2) only considering the observations of the most recent survey on 2013 for the computation of the principal components, and then considering the observations of the other surveys as supplementary observations, for which only the projection on the principal components is computed.

The results appear quite stable, regardless of the method employed (Table 4). In all four experiments, the first principal component, which explains about a quarter of the overall variance, has a negative correlation with aspects denoting a greater degree of civic virtue and a positive correlation with the statements that tend to somehow justify evasion behaviour (taxes are unfair, public money is badly spent, evasion allows you to keep your business alive). In essence, this component can be defined as the propensity for evasion, as it takes on higher values when the interviewee's opinions are more favourable towards tax evasion or in any case tend to justify it.

The results are similar when comparing the coefficients obtained using only 2013 data and those obtained with all of the available sample; it means that the propensity to evasion variable tends to have quite a rather structure over time. Some differences, on the other hand, are observed by comparing the results obtained with the analysis on covariances with those obtained using correlations. In the case of correlations, the coefficients are relatively similar in absolute value, at around 0.20-0.30, with a positive sign for the variables of justifications for evasion and a negative sign for the remaining variables. The analysis on covariances assigns higher coefficients to the variables of justification for evasion, reducing the weight of the variables that express more general principles.¹⁴

The average values of the propensity to evade for the different years and types of respondents are shown in Table 5.¹⁵

¹⁴ This result reflects the smaller variance of these variables, for which there is a large degree of consensus among the population.

¹⁵ The table refers to the analysis conducted on the matrix of covariances for all years; the results obtained with the other methods are qualitatively very similar.

Overall, the indicator shows a slight decline in the propensity for evasion between 1992 and 1995 (from -0.11 to -0.15), followed by growth until 2013 (equal to 0.17). The increase in opinions justifying tax evasion contributed to this trend, and in particular the response ‘for their business to survive’, which in 2013 saw a significant increase. Opinions on general principles regarding the payment of taxes instead decreased in 2004 compared with the 1990s, but they also showed a subsequent recovery, so that in 2013 they were substantially in line with 1993.

To provide a measure of the changes over time, it should be considered that, in the case considered, the principal component has a defined field of existence: the maximum propensity for evasion corresponds to the case in which all the answers relating to the justifications for tax evasion (the variables that have positive coefficients) are at the maximum levels, while the answers on fiscal civic virtue (which have negative coefficients) are at the minimum levels. The minimum level of the indicator is obtained by considering the opposite case, of minimum values on the variables with positive coefficients and maximum values on those with negative coefficients.

Having defined the minimum and the maximum achievable for the first principal component, (from -5.5 to 6.59 in the case of the analysis on the covariances for all years), we can better evaluate both the dimension of the phenomenon in each year and the gap between years. The values of the various years are around 45 per cent of the range; the gap between 1992 and 2013 (from -0.11 to 0.17) is just over 2 per cent of the whole segment (from 44.6 to 46.9 per cent).

Attitudes favouring tax evasion are inversely correlated to the level of education. Over time, the gap between those with a high school diploma or university degree and the others is growing, especially due to the increase in more recent years of the propensity for tax evasion of the less educated (there is an increase of about 5 per cent among individuals with a middle-low level of education).

Significant changes over the years examined have also been recorded by geographical area and professional status. The propensity for evasion at the beginning of the 1990s was higher in the South and the Islands than in the Centre and North. Over the years, the respondents residing in the North have shown a substantial increase in this propensity, which in 2013 largely exceeded that of the Centre and is just below that of the South and the Islands. Between 1992 and 2013, the propensity index increased in the North by 4.2 per cent of the range.

As for the work status, in the 1990s the propensity for evasion was much higher for the self-employed; between 1992 and 2013, self-employed workers reduced their propensity for evasion (-5.8 per cent) to the level of employees. In 2013, the retired or not employed was the category with the greatest propensity for evasion. The more nuanced difference observed between employees and the self-employed in younger generations could have contributed to this trend.

In addition, the evolution of individuals younger than 30 years is particularly noteworthy, which is the age group most averse to tax evasion in the 1990s and more inclined in more recent years (with an increase of 6.6 percentage points). The spread of precarious employment in this age group may have contributed to this evolution.

The analysis of the relationship between the propensity for evasion and income, only possible for the two most recent surveys that use SHIW data, shows that the

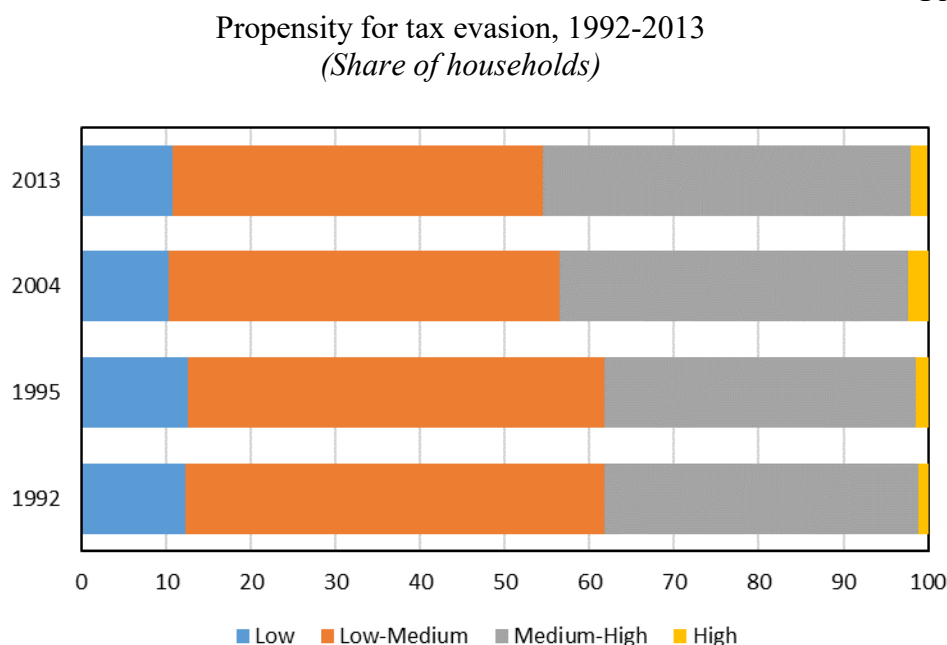
propensity for evasion decreases with income.¹⁶ In 2013, this tendency strengthens compared with 2004; in fact, there is a shift towards a greater propensity to evade for the low-income classes and a trend in the opposite direction for the higher income classes.

If we look at the distribution of observations along the axis of the propensity to evade, and we partition the segment from the minimum to the maximum into four parts of equal length, we find that the share of individuals that falls into the first segment, and which therefore has a low propensity for tax evasion (with an index of less than 25 per cent), is around 10-12 per cent, depending on the year. Medium-low propensity levels (between 25 and 50 per cent of the index) characterize between 44 and 50 per cent of subjects while medium-high levels (between 50 and 75 per cent of the index) between 37 and 43 per cent. Only a small share, around 2 per cent, is characterized by a propensity for evasion of more than 75 per cent of the index. It is also interesting to note that the differences in the size of the four groups by professional category or geographical area are modest. Overall, within these categories a large grey area prevails, where individuals mix both elements of propensity for evasion and compliance with the tax rules. On the other hand, more substantial gaps are observed between high and low-income households, with the latter definitely more prone to evasion (Table 6; Figure 2).

These results have the merit of showing the propensity for evasion as a continuous character, and confirm that a dose of propensity for evasion, say for example greater than 50 per cent of the index, characterizes a large part of the population. The comparison over time also confirms that between the two surveys conducted in the 1990s and those conducted more recently there was a shift in favour of the propensity for evasion, with a progressive decrease of those in the class with a medium-low propensity (from just under 50 per cent to about 44 per cent) in favour of those with a medium-high propensity (from 37 to 43 per cent). The deep economic crisis that started in 2008, amplifying the concern over difficult situations, has probably played a role in this evolution.

¹⁶ Since the relationship examined here concerns the income declared in the survey, which could, in turn, be affected by the propensity for evasion, the relationship was only evaluated on the households of employees and pensioners. The results confirm the inverse relationship between income and propensity for evasion.

Figure 2



Source: My calculations on SHIW data for 2004 and 2013, Censis for 1995 and the Ministry of Finance for 1992.

A linear regression conducted using the propensity index as the dependent variable and the socio-demographic characteristics of respondents and the survey year as regressors, confirms that the propensity to evade has grown over time: the coefficients referring to 1992, 1995 and to a lesser extent also that referring to 2004, are significantly lower than 0 (Table 7, Model 1). It is higher for individuals with lower educational levels, the elderly, the self-employed and those residing in the South and the Islands. The coefficients confirm a significant narrowing of the gap between employees and the self-employed compared with pensioners, as well as between North and South and the Islands.

By limiting the analysis to 2004 and 2013 only, it is possible to include household income classes among the regressors, whose coefficients are highly significant (Table 7, model 2). The R^2 coefficient of this model is much higher than that of the previous model (0.11 versus 0.08), due to the considerable explanatory contribution of this variable. All other things being equal, a higher level of income is associated with a lower propensity for evasion.¹⁷ The remaining coefficients show only modest variations.

5. Propensity to evade and actual evasion behaviour

The analysis of the relationship between the propensity for tax evasion and actual tax evasion behaviour is not easy, given the difficulty in observing the latter. In

¹⁷ The coefficients remain almost unchanged even when limiting the analysis to employees and pensioners alone, who are presumably much less affected than the self-employed by under-reporting behaviour.

this section, however, we will make some considerations using proxies of the phenomenon of tax evasion.

An initial analysis is carried out using the information collected in the SHIW on the expenses paid in cash by the households interviewed. According to an approach widely shared in the literature, the demand for cash represents a good indicator for estimating the underground economy (Ardizzi et al., 2012). In this case, having data at the household level, I assume that the households that evade taxes, other things being equal, use more cash for their consumption, both because they receive cash payments more frequently and because they want to avoid having their consumption tracked.

Therefore, a regression was conducted on 5,613 observations collected in 2004 and 2013,¹⁸ linking the share of consumption in cash to a series of covariates, among which the previously estimated propensity for evasion index, and to a dummy variable expression of the year (Table 8; column a). The coefficient of the propensity to evasion index is positive and significantly different from zero, confirming that a greater propensity for evasion corresponds to a greater share of consumption paid for in cash.

The result is confirmed if, rather than the share of consumption in cash, the logarithm for cash expenditure is considered as the independent variable and the logarithm for total expenditure is included among the dependent variables, with two different definitions that include or not the imputed rents (Figure 8; columns b and c).¹⁹

A further experiment was conducted by evaluating how the propensity for evasion relates to under-reporting behaviour in the SHIW.

In the SHIW, although participation in the survey is voluntary and respondents are given the widest reassurance by interviewers on the complete secrecy of the data provided during the interview, it is known that households sometimes tend to underestimate their incomes (Baffigi et al., 2016). The reasons for this behaviour are not known, but it can be assumed that they are, at least in part, linked to phenomena of irregularities and tax evasion on income earned.

To account for this phenomenon, the survey asks the interviewers to report, immediately after the interview, a synthetic judgment on the presumed reliability of the answers, basing this judgment on the correspondence between the data provided and the objective elements that emerged during the visit (area and type of residence, standard of living that can be deduced from the furnishings and so on). The interviewer's opinion is summarized in a score between 1 (income not at all reliable) and 10 (income fully reliable).

In the experiment conducted here, this indicator is the dependent variable of a linear regression in which, together with other covariates, the role of the propensity for evasion is evaluated.

The results of the regression confirm the significant role of the tax evasion index in this case too. All other things being equal, the greater the propensity for evasion, the

¹⁸ The households interviewed in the 2013 survey were selected from those already interviewed in the 2012 survey; the data on cash consumption, collected in the 2012 survey, was therefore linked to the opinions on tax evasion collected in the 2013 survey.

¹⁹ The analysis conducted using the transformation $\log(Q/(1-Q))$, instead of the share of cash consumption Q as a dependent variable, provides almost identical results.

lower the reliability index that interviewers find in the answers on income provided by respondents (Table 8; column d).

6. Italy by international standards

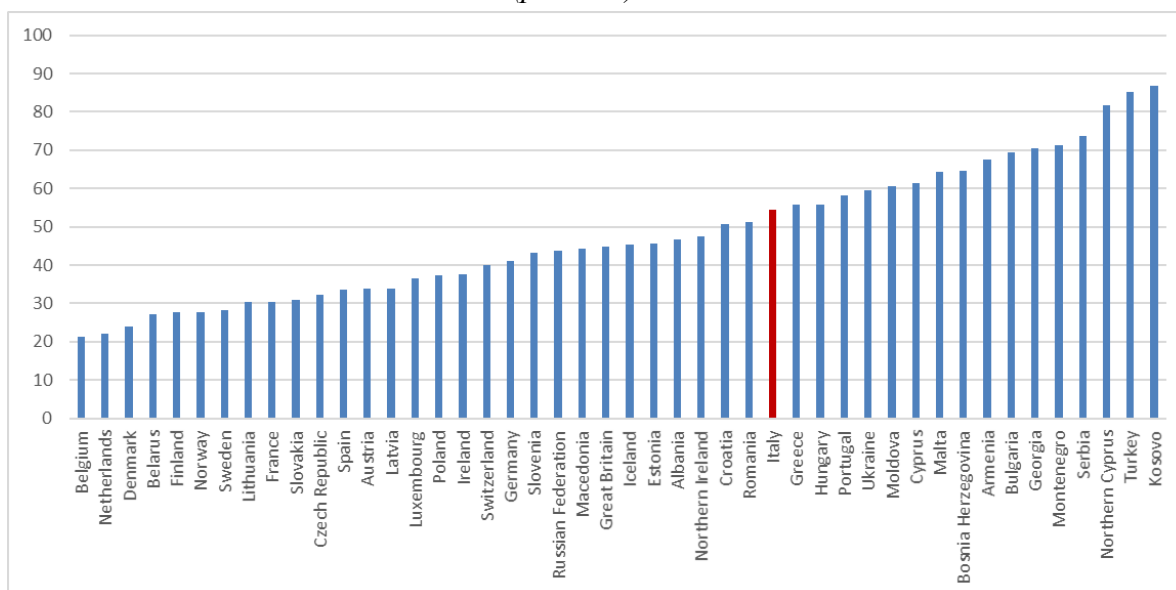
According to data from the World Value Survey and the European Value Study (Table 9), the share of people in Italy who declare that tax evasion is ‘never justifiable’ in 2018 was 65.9 per cent. Among the 35 countries for which this information is available, Italy occupies the 16th position in the ranking; lower values are found for countries such as Sweden, Great Britain, Denmark and Germany, while higher values are found for France, Holland and Spain. At the beginning of the 1980s, the same share was equal to 73.3 per cent for Italy, the highest (except for Malta) among the 16 countries for which information is available. The other available surveys - carried out in the early 1990s, at the beginning of the new century and around 2010 - place Italy in a central position in the ranking (12th out of 30, 17th out of 34 and 26th out of 39 countries respectively).

The trend in the share for Italy decreased until the early 1990s (from 73.3 to 55.2 per cent), was stable until the end of the century and then increased until 2018 (65.9 per cent).

The share of those in Italy who believe that it is never justifiable to pay in cash to evade taxes was equal to 54.4 per cent in 2008-2009, almost the same as in 1999-2001 (Table 10; Figure 3). Of the 46 countries for which an estimate is available, 16 have higher values than Italy (including Greece and Portugal), and 29 have lower values (including Belgium, Holland, Denmark, Norway, Sweden, France, Spain, Germany and Great Britain). Overall, therefore, Italy is characterized by a high unwillingness to justify tax evasion, higher than that measured in many other countries, both European and non-European.

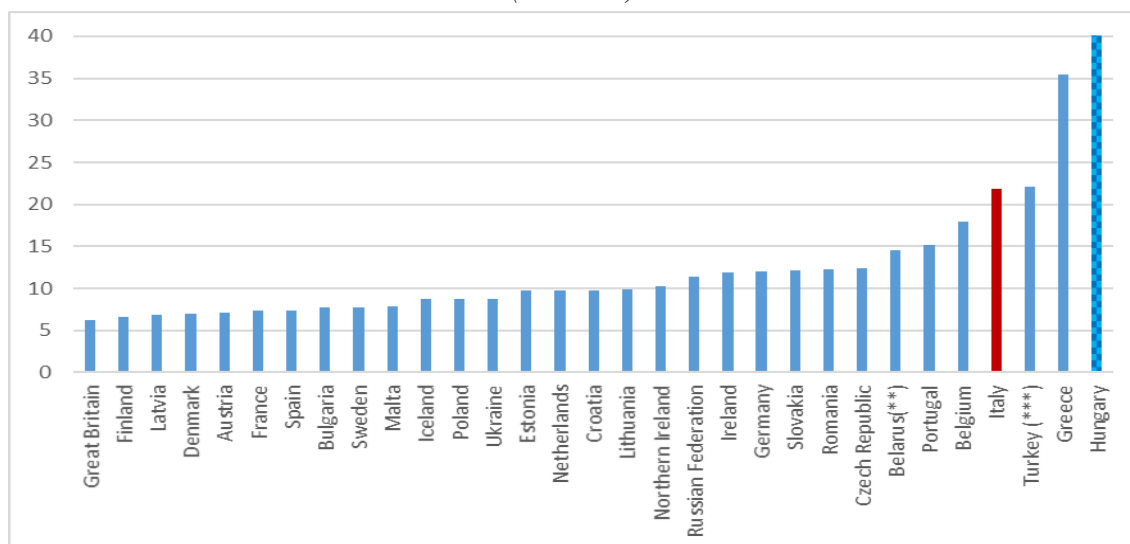
The picture of our country changes radically if instead of answers on general principles we observe those that the interviewees provide on the behaviour of other citizens, only available in the surveys at the end of the last century (Table 11; Figure 4). The share of respondents declaring that almost all other citizens evade taxes was 21.9 per cent, only lower than that recorded in Turkey (22.1), Greece (35.4) and Hungary (78.1); the shares found in Great Britain (6.2), Spain (7.4), France (7.4), Holland (9.7) and Germany (12) are much lower. The results for Belgium (17.9) and Portugal (15.2) are closer to that for Italy. According to the answers provided in these surveys, the gap for Italy does not seem to originate from absence of ethical convictions on how to behave regarding taxes, which is widespread; it is probably due to the different conditions of the economic and institutional context.

Figure 3
Share of individuals declaring that using cash to avoid taxes is never justifiable, 2008-2009
(per cent)



Source: World Value Survey - European Value Study.

Figure 4
Share of individuals who declare that 'almost all' their fellow citizens evade taxes, 1999-2001(*)
(Per cent)



(*) Data refer to 1999 except where indicated (**) and (***) that refer to 2000 e 2001 respectively. The value for Hungary (78.1) has been truncated to 40.

Source: World Value Survey - European Value Study.

7. Conclusions

The paper presents the opinions on tax evasion of Italian citizens collected in four surveys between 1992 and 2013, in very different socio-economic contexts.

Tax evasion is considered a serious problem by most citizens (about 90 per cent in 2013); subjective estimates of evaded income are equal to about one third, with no significant variations among geographical areas and professional conditions.

The study shows that, alongside widespread agreement on ethical principles regarding tax loyalty, there are various justifications for tax evasion behaviours, including that referring to marginal situations that, with the payment of taxes, would end up exiting the market (61.1 per cent), or that concerning tax rates that are too high (57.1 per cent), while relatively less widespread is the level of agreement on the principle of not paying taxes deemed ‘unfair’ and that linked to mechanisms being too complicated (respectively 24.4 and 24.6 per cent).

Through a principal component analysis, the study identifies a synthetic indicator of propensity for evasion that brings together moral assessments and other personal judgments regarding tax obligations. The analysis highlighted important aspects regarding its intensity in the various social groups and over time.

The propensity to evade taxes is greater among heads of households with low levels of education and low income, the elderly and residents of the South and the Islands. Over time, this propensity has increased on average, especially in the North. The deep economic crisis that started in 2008 seems to have contributed to this shift, favouring a certain tolerance towards tax evasion conducted to keep businesses going and that due to tax rates being too high.

The propensity for evasion has grown, especially among retirees and the unemployed, while the higher propensity for evasion that was recorded for the self-employed in the 1990s had largely regressed in 2013. There is also a notable growth in the propensity to evade among young people under 30; the spread of precarious employment in this age group may have contributed to this evolution.

The analysis highlights that a certain propensity for evasion is widespread among the population. If we place the individuals interviewed along a scale ranging from 0 (maximum aversion to evasion) to 100 (maximum propensity for evasion) and partition the scale into 4 parts of equal size, we find that the share of household heads falling into the first, and which therefore has a propensity for evasion of less than 25 per cent, is equal to about 10-12 per cent depending on the year. Medium-low propensity levels (between 25 and 50 per cent of the index) or medium-high (between 50 and 75 per cent of the index) characterize approximately 45-50 and 40 per cent of individuals respectively. Only a minimal share, around 2 per cent, is characterized by a propensity to evade of more than 75 per cent of the index. Between the 1990s and the most recent surveys, there was a shift of about 5 percentage points from the class with a medium-low propensity to that with a medium-high propensity.

The analysis also explores the link between the tax evasion index and some variables considered to be indicators of actual tax evasion.

In a first regression analysis, the propensity for tax evasion is connected to the use of cash for consumption. The coefficient of the tax evasion index is positive and

significantly different from zero, confirming that a greater propensity for tax evasion corresponds to a greater share of consumption paid for in cash.

A further experiment showed how the tax evasion index can explain part of the variability of under-reporting behaviours in the survey. All other things being equal, the greater the propensity for tax evasion, the greater the under-reporting that interviewers find in the answers on income provided by respondents. Assuming that the under-reporting of income in the SHIW is, at least in part, linked to tax evasion, the result seems to confirm that the propensity measured on the opinions of the interviewees is an expression of actual behaviour.

Data collected in international surveys indicate that Italy is in an intermediate position as regards the willingness to justify evasion behaviour; however, citizens report a very high perception of evasion on the part of their fellow citizens.

The relationship between opinions and evasion behaviours leaves open the question regarding the possibility of combining the traditional instruments for fighting tax evasion based on deterrence (sanctions and controls) with measures aimed at facilitating voluntary compliance with tax obligations (for example, through simplification) and counteracting the cultural and environmental aspects that feed taxpayers' propensity to evade.

Experimental studies have tried to measure the effectiveness of measures such as the sending of motivational or informational letters, with modest results in terms of induced behaviours. It is reasonable to assume that moral values and beliefs about the functioning of society, the fairness of tax distribution, the efficiency of public services and all the other issues that can influence the propensity for evasion cannot easily be changed in the short term, by sending a simple letter, but are nevertheless important for tax compliance purposes.

As the OECD points out (OECD, 2001 and 2019), the promotion of spontaneous forms of adherence to tax obligations should be one of the primary concerns of the tax authorities. This implies the development of wide-ranging programmes, which involve large sections of the population from school onwards, such as those undertaken in various countries of the world to raise the level of the culture of citizenship and taxation (OECD, 2015).

In contrast to the factors that generate a certain tolerance towards evasion, some improvement is recorded as regards the complication of the mechanisms, in particular compared with the survey of the mid-1990s. On the other hand, the justifications for evasion linked to the maintenance of marginal autonomous activities and the fact that public money is badly spent remain at high levels.

Appendix: statistical tables

Table 1

Opinions on tax evasion, 1992-2013

	The problem of tax evasion is ...						
	Non-existent	Marginal	The same as any other	Serious	Very serious	Total	Average score (1-5)
1992	0.0	2.7	14.2	46.0	37.0	100.0	4.2
1995	0.0	4.1	15.8	45.4	34.7	100.0	4.1
2004	0.6	2.9	20.2	46.2	30.2	100.0	4.0
2013	0.3	0.8	7.7	41.3	50.0	100.0	4.4
	In your opinion, what percentage of the total amount of tax due does the State lose as a result of tax evasion						
	Less than 10%	10% - 20%	20% - 30%	30% - 50%	Over 50%	Total	Average value (*)
1992	3.0	12.3	36.1	31.7	16.8	100.0	33.8
1995	4.3	15.2	35.2	30.0	15.3	100.0	32.5
2004	9.3	23.3	36.5	21.9	9.1	100.0	27.3
2013	7.5	14.5	28.6	30.9	18.5	100.0	33.1
	In your opinion, what are the chances of someone being selected for a tax inspection?						
	Practically non-existent	Very low	Fairly high	High	Very high	Total	Average score (1-5)
1992	4.8	40.3	39.5	13.5	2.0	100.0	2.7
1995	4.1	42.1	38.8	13.0	2.0	100.0	2.7
2004	6.9	32.0	44.3	13.5	3.3	100.0	2.7
2013	2.7	29.0	38.8	24.4	5.1	100.0	3.0
	Do you think it would be a good thing if tax inspections were made more often?						
	No, I think they should be made less often	No, the present level of control is already too high	Things are all right as they are	Yes, but within certain limits	Yes	Total	Average score (1-5)
1992	2.0	3.6	5.0	26.4	62.9	100.0	4.4
1995	2.0	3.7	4.7	25.3	64.2	100.0	4.5
2004	2.1	6.6	24.3	28.0	38.9	100.0	3.9
2013	1.0	3.8	12.0	37.4	45.7	100.0	4.2

(*) Assigning the average value of each class and the value of 60% for the last class (over 50%).

Source: My calculations based on SHIW data for 2004 and 2013, Censis for 1995 and the Ministry of Finance for 1992.

Table 2

Opinions on tax evasion, 2013
(average scores 1-5; percentages)

	Paying taxes is one of the basic duties of citizenship	People will be more willing to pay tax if they know everyone else does	People are happy to pay tax if the country functions properly	The revenue from taxation should be spent where it was collected	It is right not to pay taxes if you think they are unfair	People try to avoid paying tax because they know the Government spends the money badly	Some people are obliged to evade tax in order for their business to survive	Some people don't pay tax because the rate (%) is too high	Some people do not pay tax because the system is too complicated	Some people do not pay tax because they run little risk of being caught	The more someone earns, the more (as a percentage) he/she should contribute to Government spending	The State should levy higher taxes on income and lower taxes on consumption (VAT)	Tax evasion is a serious problem	What are the chances of someone being selected for a tax inspection?	It would be a good thing if tax inspections were made more often	Share of the total amount of tax due the State loses as a result of tax evasion
	Average score (1-5)															(%)
Gender																
Male.....	4.55	4.49	4.61	3.51	2.36	3.56	3.66	3.49	2.30	3.66	4.34	3.61	4.42	3.00	4.24	31.95
Female	4.44	4.49	4.53	3.56	2.61	3.49	3.62	3.51	2.54	3.56	4.25	3.57	4.38	3.01	4.23	34.35
Age																
Up to 30 years	4.14	3.72	4.41	3.47	2.69	3.36	3.64	3.53	2.15	3.04	3.96	3.37	4.25	2.94	3.97	32.21
31-40 years	4.56	4.53	4.66	3.62	2.29	3.55	3.59	3.68	2.55	3.56	4.35	3.54	4.41	3.28	4.28	32.51
41-50 years	4.50	4.54	4.60	3.46	2.44	3.36	3.56	3.30	2.31	3.50	4.34	3.61	4.37	2.87	4.22	35.56
51-65 years	4.51	4.50	4.54	3.57	2.55	3.64	3.68	3.71	2.47	3.83	4.28	3.59	4.48	3.00	4.30	34.77
Over 65 years	4.49	4.53	4.56	3.53	2.50	3.56	3.66	3.38	2.43	3.57	4.30	3.63	4.36	3.00	4.19	30.38
Educational qualification																
none	4.43	4.63	4.69	3.98	2.77	3.36	3.66	3.90	3.03	3.28	4.24	3.81	4.28	3.17	4.08	27.95
primary school certificate	4.39	4.45	4.49	3.81	2.86	3.80	3.83	3.44	2.43	3.61	4.21	3.69	4.37	2.98	4.25	33.16
lower secondary school certificate	4.36	4.41	4.58	3.56	2.79	3.71	3.89	3.78	2.35	3.45	4.26	3.59	4.36	2.98	4.13	33.55
upper secondary school diploma	4.57	4.49	4.57	3.56	2.34	3.45	3.52	3.51	2.48	3.74	4.34	3.60	4.45	2.96	4.31	34.22
university degree	4.68	4.65	4.60	2.89	1.68	3.06	3.19	2.89	2.18	3.63	4.36	3.35	4.42	3.15	4.23	30.78
Work status																
Employee	4.61	4.54	4.59	3.32	2.19	3.37	3.43	3.38	2.32	3.68	4.35	3.60	4.47	3.04	4.28	33.46
Self-employed.....	4.54	4.55	4.64	3.38	1.86	3.56	3.90	3.34	1.78	3.55	4.43	3.63	4.40	3.31	4.01	31.23
Retired or not employed	4.41	4.45	4.54	3.70	2.77	3.63	3.75	3.60	2.57	3.56	4.24	3.58	4.35	2.93	4.22	33.19
Town size (inhabitants)																
Up to 20,000	4.56	4.53	4.60	3.44	2.40	3.41	3.56	3.44	2.33	3.69	4.40	3.52	4.42	2.97	4.38	35.17
20,000-40,000	4.49	4.49	4.54	3.68	2.76	3.93	4.01	3.87	2.52	3.42	4.33	3.88	4.27	2.96	4.02	30.92
40,000-250,000	4.31	4.39	4.46	3.62	2.60	3.57	3.56	3.42	2.52	3.61	4.07	3.66	4.40	3.02	4.11	32.48
Over 250,000.	4.64	4.56	4.70	3.49	2.22	3.39	3.62	3.45	2.41	3.54	4.33	3.35	4.47	3.15	4.18	29.64
Geographical area																
North.....	4.53	4.51	4.65	3.71	2.39	3.74	3.84	3.56	2.27	3.60	4.33	3.63	4.43	3.00	4.25	32.95
Centre	4.68	4.47	4.54	3.36	2.27	3.10	3.44	3.20	2.15	3.67	4.37	3.52	4.37	3.01	4.39	33.64
South and the Islands.....	4.33	4.47	4.47	3.39	2.73	3.48	3.47	3.59	2.79	3.58	4.20	3.58	4.37	3.01	4.12	33.13
Total.....	4.49	4.49	4.57	3.53	2.48	3.53	3.64	3.50	2.42	3.61	4.29	3.59	4.40	3.00	4.23	33.14

Source: My calculations based on SHIW data.

Table 3

Opinions on tax evasion, 1992-2013

	Degree of agreement						Average score (1-5)
Year	Not at all	Very little	So so	Quite a lot	Very much	Total	
	Paying taxes is one of the basic duties of citizenship						
1992	0.8	1.9	5.2	34.9	57.2	100.0	4.5
1995	0.9	2.0	5.2	37.0	54.9	100.0	4.4
2004	1.0	4.4	15.4	42.1	37.1	100.0	4.1
2013	0.7	1.4	6.2	31.3	60.4	100.0	4.5
	People will be more willing to pay tax if they know everyone else does						
1992	1.4	0.6	3.7	27.0	67.4	100.0	4.6
1995	1.4	0.5	3.5	28.8	65.8	100.0	4.6
2004	2.4	5.6	14.4	32.8	44.8	100.0	4.1
2013	0.7	2.5	7.9	25.0	63.9	100.0	4.5
	People are happy to pay tax if the country functions properly						
1992	1.2	0.7	4.5	33.0	60.7	100.0	4.5
1995	1.0	0.9	4.7	34.0	59.5	100.0	4.5
2004	1.8	5.2	15.4	38.9	38.7	100.0	4.1
2013	0.4	2.3	4.7	25.1	67.5	100.0	4.6
	The revenue from taxation should be spent where it was collected						
1992	13.5	13.8	17.5	24.4	30.9	100.0	3.5
1995	16.6	16.6	22.6	21.0	23.2	100.0	3.2
2004	12.8	14.0	25.3	28.7	19.2	100.0	3.3
2013	10.6	12.3	20.6	26.2	30.3	100.0	3.5
	It is right not to pay taxes if you think they are unfair						
1992	19.5	24.0	23.9	20.3	12.2	100.0	2.8
1995	22.1	25.8	25.6	17.9	8.6	100.0	2.7
2004	20.3	21.9	29.0	19.3	9.5	100.0	2.8
2013	31.4	22.6	21.5	15.1	9.3	100.0	2.5
	People try to avoid paying tax because they know the Government spends the money badly						
1992	8.7	13.2	17.5	31.6	29.1	100.0	3.6
1995	11.8	18.2	27.8	22.0	20.2	100.0	3.2
2004	11.4	16.1	27.4	28.3	16.8	100.0	3.2
2013	8.9	15.7	17.4	29.8	28.2	100.0	3.5
	Some people are obliged to evade tax in order for their business to survive						
1992	25.4	22.4	18.9	21.7	11.6	100.0	2.7
1995	25.6	23.6	20.5	19.6	10.6	100.0	2.7
2004	14.0	15.2	30.9	29.1	10.8	100.0	3.1
2013	6.6	10.6	21.7	34.7	26.4	100.0	3.6
	Some people don't pay tax because the rate (%) is too high						
1992	11.6	9.3	19.4	40.4	19.4	100.0	3.5
1995	9.9	10.3	19.7	42.1	18.0	100.0	3.5
2004	11.2	15.1	29.3	28.8	15.6	100.0	3.2
2013	9.0	13.2	20.8	33.0	24.1	100.0	3.5
	Some people do not pay tax because the system is too complicated						
1992	30.3	23.7	19.2	19.1	7.7	100.0	2.5
1995	24.4	19.3	14.7	30.6	11.1	100.0	2.8
2004	27.7	21.1	25.6	19.3	6.3	100.0	2.6
2013	33.3	23.8	18.4	17.0	7.6	100.0	2.4
	Some people do not pay tax because they run little risk of being caught						
1992	5.4	15.8	20.8	33.3	24.6	100.0	3.6
1995	5.7	17.2	25.0	32.1	20.0	100.0	3.4
2004	6.9	11.9	26.4	33.2	21.6	100.0	3.5
2013	8.3	11.7	19.9	31.3	28.8	100.0	3.6
	The more someone earns, the more (as a percentage) he/she should contribute to Government spending						
1992	2.5	3.5	9.2	30.4	54.4	100.0	4.3
1995	2.4	3.5	9.8	30.8	53.5	100.0	4.3
2004	3.0	9.0	20.2	33.6	34.1	100.0	3.9
2013	1.4	3.0	9.9	36.2	49.5	100.0	4.3
	The State should levy higher taxes on income and lower taxes on consumption (VAT)						
1992	14.9	16.7	35.8	22.7	10.0	100.0	3.0
1995	13.4	15.6	37.7	22.5	10.8	100.0	3.0
2004	5.8	10.8	34.5	32.0	16.9	100.0	3.4
2013	4.4	9.5	30.8	33.0	22.2	100.0	3.6

Source: My calculations based on SHIW data for 2004 and 2013, Censis for 1995 and the Ministry of Finance for 1992.

Table 4

Propensity for evasion
(Coefficients of the first principal component)

Variables (*)	Covariances		Correlations	
	1992-2013	2013	1992-2013	2013
Paying taxes is one of the basic duties of citizenship.....	-0.133	-0.131	-0.370	-0.344
People will be more willing to pay tax if they know everyone else does	-0.055	-0.071	-0.294	-0.253
People are happy to pay tax if the country functions properly	-0.033	-0.034	-0.273	-0.210
It is right not to pay taxes if you think they are unfair	0.380	0.432	0.247	0.280
People try to avoid paying tax because they know the Government spends the money badly	0.393	0.431	0.173	0.241
Some people are obliged to evade tax in order for their business to survive.....	0.483	0.385	0.268	0.294
Some people don't pay tax because the rate (%) is too high.....	0.395	0.449	0.226	0.314
Some people do not pay tax because the system is too complicated	0.450	0.395	0.274	0.275
Some people do not pay tax because they run little risk of being caught	-0.136	-0.156	-0.240	-0.234
Tax evasion is a serious phenomenon.....	-0.129	-0.108	-0.363	-0.315
Share of the total amount of tax due that the State loses as a result of tax evasion	-0.160	-0.172	-0.329	-0.308
It would be a good thing if tax inspections were made more often	-0.164	-0.182	-0.340	-0.357
Share of variance explained	25.0	27.8	22.6	24.8

(*) All the variables have values from 1 to 5 (see Tables 1 and 2).

Source: My calculations based on SHIW data for 2004 and 2013, Censis for 1995 and the Ministry of Finance for 1992.

Table 5

Propensity for tax evasion (*)
(Average values)

	1992	1995	2004	2013	Gap 2013-1992 (**)
Gender					
Male.....	-0.09	-0.20	0.01	0.08	1.4
Female	-0.14	-0.04	0.23	0.25	3.2
Age					
Up to 30 years.....	-0.48	-0.53	0.46	0.32	6.6
31-40 years	0.12	0.30	0.37	0.19	0.6
41-50 years	-0.02	-0.09	-0.03	-0.09	-0.6
51-65 years	-0.12	-0.20	-0.06	0.29	3.4
Over 65 years.....	-0.18	-0.29	0.09	0.20	3.1
Educational qualification					
None	0.58	0.58	0.72	0.80	1.8
primary school certificate.....	-0.25	-0.31	0.37	0.51	6.3
lower secondary school certificate	0.10	0.03	0.22	0.62	4.3
upper secondary school diploma	-0.22	-0.20	-0.31	-0.01	1.7
university degree.....	-0.59	-0.71	-0.59	-0.91	-2.6
Income classes (fifths of households)					
1	-	-	0.47	0.99	-
2	-	-	0.30	0.62	-
3	-	-	0.27	0.28	-
4	-	-	-0.10	-0.12	-
5	-	-	-0.44	-0.67	-
Work status					
Employee	-0.48	-0.41	-0.04	-0.25	1.9
Self-employed.....	0.47	0.32	0.31	-0.23	-5.8
Retired or not employed.....	-0.02	-0.13	0.14	0.51	4.4
Town size (inhabitants)					
Up to 20,000	-0.08	-0.07	0.08	-0.08	0.0
20,000-40,000	-0.32	-0.33	0.15	0.91	10.2
Over 40,000	0.00	-0.14	0.10	0.18	1.5
Geographical area					
North.....	-0.26	-0.38	-0.13	0.25	4.2
Centre	-0.31	-0.36	-0.04	-0.48	-1.4
South and the Islands	0.29	0.36	0.51	0.42	1.1
Total.....	-0.11	-0.15	0.10	0.17	2.3

(*) The propensity to evade is defined as the first principal component obtained on the covariance matrix (Table 4).

(**) Gap in percentage of the range of the first principal component (from -5.5 to 6.59). See the text for its definition.

Source: My calculations based on SHIW data for 2004 and 2013, Censis for 1995 and the Ministry of Finance for 1992.

Table 6

Propensity for tax evasion, 1992-2013
(Share of households)

Year	Propensity for tax evasion *				
	Low	Medium-low	Medium-high	High	Total
Total 1992	12.2	49.5	37.1	1.3	100.0
Total 1995	12.6	49.2	36.8	1.4	100.0
Total 2004	10.2	46.2	41.2	2.4	100.0
Total 2013	10.7	43.8	43.5	1.9	100.0
Characteristics	2013				
Income classes (fifths of households)					
1	6.5	31.6	54.1	7.8	100.0
2	5.1	36.6	57.0	1.3	100.0
3	5.3	46.1	47.5	1.1	100.0
4	10.2	54.6	34.5	0.7	100.0
5	24.9	45.3	29.8	0.0	100.0
Work status					
Employee	12.8	50.8	35.4	1.0	100.0
Self-employed	16.2	47.5	34.9	1.4	100.0
Retired or not employed	8.5	38.5	50.3	2.7	100.0
Geographical area					
North	9.3	43.1	46.4	1.2	100.0
Centre	18.7	50.5	30.4	0.5	100.0
South and the Islands	8.1	40.9	47.2	3.8	100.0

* The propensity to evade is defined as the first principal components using the covariance matrix (Table 4). The 4 classes are obtained by dividing the range in 4 parts of equal length.

Source: My calculations based on SHIW data for 2004 and 2013, Censis for 1995 and the Ministry of Finance for 1992.

Table 7

Regression analysis: propensity for tax evasion

Dependent variable: propensity for evasion	Model 1		Model 2	
Parameter	Coefficient	Pr > t	Coefficient	Pr > t
Intercept	-0.2909	0.0110	-0.9665	<.0001
Year 1992	-0.3443	0.0042	-	-
Year 1995	-0.3875	0.0003	-	-
Year 2004	-0.1483	0.0457	-0.2957	0.0016
Year 2013	0.0000	-	0.0000	-
Male	-0.0554	0.2356	-0.0202	0.6963
Female	0.0000	-	0.0000	-
Employed	-0.5031	<.0001	0.5859	0.0048
Self-employed	0.3103	0.0016	1.4041	<.0001
Retired or not employed	0.0000	-	0.0000	-
Up to 30 years	0.4052	<.0001	0.7616	<.0001
31-40 years	0.8606	<.0001	0.7778	<.0001
41-50 years	0.4584	<.0001	0.4749	<.0001
51-65 years	0.3044	<.0001	0.4442	<.0001
Over 65 years	0.0000	-	0.0000	-
Up to primary school certificate	0.9404	<.0001	1.0351	<.0001
Lower secondary school certificate	0.9354	<.0001	0.8963	<.0001
Upper secondary school diploma	0.5553	<.0001	0.4784	<.0001
University degree	0.0000	-	0.0000	-
North	-0.6932	<.0001	-1.2143	<.0001
Centre	-0.4895	<.0001	0.1248	0.6323
South and the Islands	0.0000	-	0.0000	-
Anno* North	0.0263	<.0001	0.0669	<.0001
Year *Centre	-0.0097	0.1979	-0.0339	0.0261
Year * South and the Islands	0.0000	-	0.0000	-
Year * Employed	-0.0080	0.1730	-0.0614	<.0001
Year * Self-employed	-0.0383	<.0001	-0.0874	<.0001
Year * Retired or not employed	0.0000	-	0.0000	-
1st Fifth of income	-	-	0.8581	<.0001
2nd Fifth of income	-	-	0.6777	<.0001
3rd Fifth of income	-	-	0.5833	<.0001
4th Fifth of income	-	-	0.2988	<.0001
5th Fifth of income	-	-	0.0000	-
R ²	0.080		0.116	
Number of observations	6,996		5,604	

Source: My calculations based on SHIW data for 2004 and 2013, Censis for 1995 and the Ministry of Finance for 1992.

Table 8

Regression analysis:
propensity for tax evasion, cash expenditures and under-reporting

	(a) Dependent variable: Share of expenditures paid for in cash		(b) Dependent variable: Log consumption paid for in cash		(c) Dependent variable: Log consumption paid for in cash		(d) Dependent variable: Truthfulness of income data in SHIW (interviewers' judgments 1-10)	
Parameter	Estimate	Pr > t	Estimate	Pr > t	Estimate	Pr > t	Estimate	Pr > t
Intercept	60.1672	<.0001	1.8451	<.0001	1.8041	<.0001	8.1675	<.0001
Log (consumption)*			0.5051	<.0001				
Log (consumption)**					0.4904	<.0001		
Year 2004	12.5559	<.0001	0.1604	<.0001	0.1347	<.0001	-0.8154	<.0001
Year 2013	0.0000	-	0.0000	-	0.0000	-	0.0000	-
Male	0.8350	0.2436	0.0234	0.1164	0.0206	0.1806	-0.0041	0.9327
Female	0.0000	-	0.0000	-	0.0000	-	0.0000	-
Up to 30 years	-10.0639	<.0001	-0.1518	<.0001	-0.1153	0.0021	0.3118	0.0090
31-40 years	-9.8163	<.0001	-0.1830	<.0001	-0.1676	<.0001	-0.0175	0.8539
41-50 years	-8.5673	<.0001	-0.1679	<.0001	-0.1692	<.0001	0.0484	0.6008
51-65 years	-5.6366	<.0001	-0.0807	0.0002	-0.0750	0.0006	-0.1027	0.1420
Over 65 years	0.0000	-	0.0000	-	0.0000	-	0.0000	-
Employed	-7.3900	<.0001	-0.1095	<.0001	-0.0614	0.0034	0.2570	0.0001
Self-employed	-7.3515	<.0001	-0.1099	<.0001	-0.0858	0.0025	-0.2260	0.0121
Retired or not employed	0.0000	-	0.0000	-	0.0000	-	0.0000	-
1 member	-5.1044	<.0001	-0.2598	<.0001	-0.3462	<.0001	-0.1257	0.1083
2 members	-4.3869	<.0001	-0.1449	<.0001	-0.1782	<.0001	0.0309	0.6534
3 members	-2.7753	0.0039	-0.0939	<.0001	-0.1010	<.0001	-0.0390	0.5532
4 or more members	0.0000	-	0.0000	-	0.0000	-	0.0000	-
Income class 1	16.0290	<.0001	0.0103	0.7348	0.1336	0.0002	-0.0200	0.8271
Income class 2	14.8582	<.0001	0.1393	<.0001	0.2261	<.0001	-0.2451	0.0030
Income class 3	11.6174	<.0001	0.1078	<.0001	0.1565	<.0001	-0.0792	0.2951
Income class 4	5.8895	<.0001	0.0783	0.0003	0.1135	<.0001	-0.1145	0.1080
Income class 5	0.0000	-	0.0000	-	0.0000	-	0.0000	-
Up to primary school certificate	8.5041	<.0001	0.0582	0.0544	0.0534	0.0876	-0.2983	0.0024
Lower secondary school certificate	3.7404	0.0034	0.0476	0.0747	0.0482	0.0803	-0.1275	0.1434
Upper secondary school diploma	3.4907	0.0045	0.0696	0.0065	0.0722	0.0062	-0.0902	0.2824
University degree	0.0000	-	0.0000	-	0.0000	-	0.0000	-
North	-11.2604	<.0001	-0.1704	<.0001	-0.1738	<.0001	0.4938	<.0001
Centre	-4.2542	<.0001	-0.0341	0.0954	-0.0461	0.0292	0.4350	<.0001
South and the Islands	0.0000	-	0.0000	-	0.0000	-	0.0000	-
Up to 20,000 inhabitants	0.6489	0.3723	-0.0162	0.2851	-0.0083	0.5973	0.3728	<.0001
Between 20,000 and 40,000 inhabitants	0.6302	0.5370	0.0004	0.9841	0.0076	0.7286	0.1926	0.0058
Over 40,000 inhabitants	0.0000	-	0.0000	-	0.0000	-	0.0000	-
Propensity for tax evasion	0.8663	<.0001	0.0201	<.0001	0.0224	<.0001	-0.1393	<.0001
R ²	0.2761		0.2842		0.2422		0.1289	
Number of observations	5,613							

(*) Consumption includes imputed rents. (**) Consumption does not include imputed rents.

Source: My calculations based on SHIW data.

Table 9

Share of individuals declaring that tax evasion is never justifiable
(Percentages)

Country	1981-1984	1990-1993	1999-2001	2008-2010	2017-2020
Turkey	-	-	92.0	87.0	-
Kosovo	-	-	-	87.8	-
Malta	83.8	83.9	80.3	81.0	-
Macedonia	-	-	-	81.3	79.7
Bosnia Herzegovina	-	-	-	73.6	80.2
Serbia	-	-	-	74.9	71.9
Hungary	-	56.3	66.6	77.4	80.0
Montenegro	-	-	-	72.8	66.7
Bulgaria	-	57.4	67.7	68.1	79.0
Cyprus	-	-	-	67.9	-
United States	65.9	68.2	-	-	-
Albania	-	-	-	48.2	84.6
Georgia	-	-	-	68.5	64.1
Denmark	65.1	57.3	65.6	67.4	74.8
Slovenia	-	68.5	60.0	63.2	69.9
Italy	73.3	55.2	56.6	61.3	65.9
Croatia	-	-	56.2	58.2	72.8
Canada	65.3	59.2	-	-	-
Austria	-	62.3	60.4	56.7	68.9
Northern Ireland	51.9	67.9	60.7	65.8	-
Great Britain	53.3	53.4	55.5	70.0	72.6
Czech Republic	-	68.8	59.8	49.6	65.4
Romania	-	67.7	57.1	51.7	64.9
Sweden	69.7	56.4	50.2	55.4	69.1
Poland	-	50.2	61.4	46.6	79.9
Germany	48.5	50.7	57.7	61.6	75.5
Iceland	54.0	56.0	57.9	60.3	65.1
Switzerland	-	-	-	54.8	62.3
Estonia	-	64.6	39.4	53.9	69.2
Moldova	-	-	-	56.5	-
Latvia	-	64.4	59.8	41.8	-
Finland	-	40.3	50.4	62.9	66.2
Portugal	-	39.4	54.4	58.8	63.2
Slovakia	-	58.9	59.6	51.2	45.4
Spain	49.1	51.7	52.7	53.9	54.1
Ireland	44.1	48.8	59.1	56.9	-
Ukraine	-	-	41.0	61.9	-
Norway	41.1	43.1	-	50.4	71.0
France	44.5	46.5	49.0	52.9	63.6
Armenia	-	-	-	62.3	37.4
Netherlands	40.4	44.1	46.7	56.2	57.3
Luxembourg	-	-	41.4	55.0	-
Azerbaijan	-	-	-	-	47.6
Greece	-	-	37.1	56.2	-
Lithuania	-	57.0	38.2	37.9	47.9
Russian Federation	-	-	47.3	45.0	32.7
Belgium	44.4	34.3	39.2	40.3	-
Belarus	-	-	26.3	27.7	37.1

Source: World Value Survey - European Value Study.

Table 10

Share of individuals declaring that using cash to avoid taxes is never justifiable,
1999/2001 (*) – 2008/2009
(Percentages)

Country	1999-2001	2008-2009
Albania	-	46.7
Austria	37.8	33.9
Armenia	-	67.6
Belgium	29.6	21.2
Bosnia Herzegovina	-	64.7
Bulgaria	78.3	69.5
Belarus (**)	26.3	27.2
Croatia	50.8	50.8
Cyprus	-	61.3
Northern Cyprus	-	81.7
Czech Republic	45.7	32.3
Denmark	23.7	24.0
Estonia	39.6	45.5
Finland	26.9	27.7
France	32.3	30.5
Georgia	-	70.5
Germany	47.5	41.0
Greece	34.3	55.7
Hungary	52.3	55.7
Iceland	44.2	45.4
Ireland	47.6	37.5
Italy	53.9	54.4
Latvia	45.9	33.9
Lithuania	28.2	30.3
Luxembourg	29.7	36.5
Malta	72.2	64.2
Moldova	-	60.7
Montenegro	-	71.3
Netherlands	15.7	22.2
Norway	-	27.7
Poland	46.3	37.3
Portugal	57.2	58.3
Romania	55.7	51.1
Russian Federation	42.6	43.7
Serbia	-	73.8
Slovakia	23.9	31.0
Slovenia	43.6	43.2
Spain	40.5	33.5
Sweden	25.3	28.3
Switzerland	-	40.0
Turkey (***)	87.2	85.1
Ukraine	42.2	59.5
Macedonia	-	44.4
Great Britain	34.2	44.9
Northern Ireland	51.2	47.4
Kosovo	-	86.7

(*) Data refer to 1999 except where indicated by (**) and (***) that refer to 2000 and 2001 respectively.

Source: World Value Survey - European Value Study.

Table 11

Opinions on the tax evasion of fellow citizens, 1999-2001^(*)*(Percentages)*

Paese	In your opinion, how many citizens evade taxes in your country?				
	Almost all	Many	Some	Almost none	Total
Austria	7.1	54.9	36.9	1.1	100.0
Belgium	17.9	47.4	30.5	4.1	100.0
Bulgaria	7.8	53.9	34.7	3.6	100.0
Belarus(**)	14.6	47.8	26.9	10.7	100.0
Croatia	9.8	48.5	38.9	2.7	100.0
Czech Republic	12.4	53.1	33.5	0.9	100.0
Denmark	7.0	42.6	46.2	4.2	100.0
Estonia	9.7	53.8	28.8	7.7	100.0
Finland	6.6	45.6	45.2	2.6	100.0
France	7.4	32.6	54.1	5.8	100.0
Germany	12.0	48.9	36.1	3.1	100.0
Greece	35.4	51.7	12.0	0.9	100.0
Hungary	78.1	19.2	2.2	0.5	100.0
Iceland	8.7	71.5	15.4	4.4	100.0
Ireland	11.9	50.1	36.9	1.1	100.0
Italy	21.9	62.0	15.2	0.9	100.0
Latvia	6.8	45.2	28.4	19.6	100.0
Lithuania	9.9	48.9	34.3	6.9	100.0
Malta	7.9	82.5	9.1	0.6	100.0
Netherlands	9.7	39.1	49.1	2.1	100.0
Poland	8.8	60.3	30.6	0.4	100.0
Portugal	15.2	56.3	25.6	2.9	100.0
Romania	12.3	67.8	19.0	0.9	100.0
Russian Federation	11.4	56.1	31.2	1.4	100.0
Slovakia	12.2	54.6	28.8	4.4	100.0
Spain	7.4	25.0	53.2	14.4	100.0
Sweden	7.8	44.4	45.2	2.7	100.0
Turkey (***)	22.1	66.3	10.6	1.0	100.0
Ukraine	8.8	58.1	31.4	1.7	100.0
Great Britain	6.2	58.1	35.5	0.3	100.0
Northern Ireland	10.2	47.0	41.2	1.6	100.0

(*) Data refer to 1999 except where indicated by (**) and (***) that refer to 2000 and 2001 respectively.

Source: World Value Survey - European Value Study.

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