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Typology of taxpayers and tax policy

Abstract: *The issue how to reduce of tax evasion is widely discussed in the literature. A public authority may affect the behavior of taxpayers, not only through economic factors, but also by strengthen fiscal discipline. In this process especially role play such issues as tax morale, tax mentality and perceived tax justice. The purpose of the study was to identify groups of taxpayers with similar attitudes towards taxes and similar tax behaviors. Cluster analysis elicited four types of tax payers: Intrinsic Tax Payer, External Tax Payer, Intrinsic Tax Evader, External Tax Evader. In the study the most common were the first two types of taxpayers. Elicited types correspond with motivational tax postures identified by Braithwaite(2001, 2003) and Torgler (2003). The conclusions sum up the key issues discussed, policy implications and the limitation of the analysis.*
Key words: *taxpayers, tax compliance, tax evasion, tax morale, tax fairness*

1. Introduction

The analysis of tax compliance, that is solely based on economic factors, limits the decision-making process to the hedonistic motives. There is nothing more important than maximizing own benefits. However, the empirical results show that the decision of paying taxes depends on the tax standards and to more extent on the perceived fairness. Michael Wenzel (2004, 2007) distinguishes between two types of moral tax standards: social standards and personal standards. The first one are norms of social groups or community, the second own moral tax norms. The relationships between tax personal norms and taxpayers' behaviour are immediate: the stronger (weaker) personal standards, the greater (smaller) tax compliance (Alm et al., 1999; Alm and Torgler, 2006; Bobek et al., 2007; Bosco and Mittone, 1997; Braithwaite and Ahmed, 2005; Cummings et al., 2009; Dell'Anno, 2009; Eisenhauer, 2008; Feld and Frey, 2002; Frey, 2003; Henderson and Kaplan, 2005; Lewis, 1982; Torgler, 2003, 2004, 2005a, b; Traxler, 2010; Wenzel, 2004, 2007). Relationships between tax social norms and tax compliance are moderated by the degree of identification with the social group. The dual nature of the risks (financial and social) restrains people from evading

taxes. It specially concerns people who identify themselves with state and for whom the national category is important (Konrad and Qari, 2009; Wenzel, 2004, 2007). Furthermore, the perceived widespread tax evasion has also influence on social risk (Elffers et al.,1992; Kaplan and Reckers, 1985; Webley et al., 1988, 2001; Weigel et al.,1987; Wenzel, 2007). The permissiveness norms and behaviors of others might encourage the individual to ignore and disregard own strict beliefs. It might also justify any subsequent behavior. Belief in widespread tax evasion might call into question the rationality behind the fulfillment of state obligations. Perceived social norms may encourage honest tax payment, or serve as a rationalization of tax evasion (Alm et al.,1999; Blanthorne and Kaplan, 2008; Bobek et al., 2007; Wenzel, 2005b).

The key issues concerning social discourse on taxes are tax fairness. Two types of tax fairness that have been mainly studied are: distributive fairness and procedural fairness. Studies have shown that the more taxpayers are satisfied with the quality of public services, with the balance between the burdens and the public goods received and the their tax obligation to the state, the less they are willing to evade tax (Alm et al,1992; Bosco and Mittone, 1997; Braithwaite, 2003; Cowell, 1992; Falkinger, 1995; Levi and

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Saks, 2009; Moser et al., 1995; Pocarno, 1988; Pommerehne et al.,1994; Spicer and Becker, 1980; Verboon and van Dijk, 2007). Perceived fairness of the formal procedures involved in decision-making and perceived quality treatment by tax authorities also encourages tax compliance. The more decisions are free of bias, are stable, neutral, respectful, sympathetic and honest, the less the propensity for tax evasion (Alm et al., 1993; Feld and Frey, 2002, 2007; Levi and Sacks, 2009; Murphy, 2003, 2004; Scholz and Lubell, 1998; Wenzel, 2006).
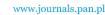
Furthermore, the prospect scheme tax advances significantly affects tax behavior. Those who are expecting a tax rebate (gain situation) avoid the risk and rarely decide to evade taxes. However, taxpayers who owe tax (loss situation) may be tempted to reduce the amount of money owed and more often decide to evade taxes (Chang et al.,1987; Cullis et al., 2006; Elffers and Hessing, 1997; Hasseldine and Hite, 2003; Kirchler and Maciejovsky, 2001; Lewis et al,. 2009; Robben et al, 1990; Webley et al,. 1991; White et al., 1993).

The results of studies on the relationship between tax standards, tax fairness and tax compliance raise the question of whether it is among taxpayers possible to distinguish groups with similar assessment of distributive and procedural tax fairness, personal and social tax norms, an evaluation of other taxpayers' behaviour as well as a similar experience of tax benefits, and tax evasion? This approach to the study tax behaviour corresponds with that of Braithwaite (2003) and Torgler (2003). Braithwaite distinguished five types of motivational postures towards taxes: commitment, capitulation, resistance, disengagement and game-playing. The commitment posture is based on a sense of moral obligation and the treatment of taxpaying as an act of good will. In the capitulation posture, cooperation with the tax authorities is the result of the perception of them as representatives of a legitimate authority. In the resistance posture, the tax authorities are perceived as having a supervisor "grabbing-oriented" stance so prompting tax decisions based on avoiding this unpleasant situation. The resistance posture communicates a strong opposition to the tax authorities; its source is a dissatisfaction with the tax system. Non-alignment also reflects a negative attitude towards tax authorities and exacerbates the social distance between taxpayers and tax authorities. A game-playing posture focuses on finding ways to use the tax law to further individuals own benefits. Studies have shown that the commitment, capitulation and resistance postures are linked to voluntary tax compliance while non-alignment and game-playing postures with forced tax compliance (Kirchler and Wahl, 2008).

Motivational postures distinguished by Braithwaite do not correspond to specific types of taxpayers. It might be said about dominant postures, and thus about a particular type of a taxpayer. But some taxpayers present various motivational postures, hence there is a difficulty in classifying them into the one category. Torgler (2003) identified four types of taxpayers: Social Taxpayer, Intrinsic Taxpayer, Honest Taxpayer and Tax Evader. In contrast to Braithwaite's categorization, Torgler's typology has not

been subjected to an empirical verification. Torgler assumes that Social Taxpayers operate and are strongly influenced by social norms; they are extremely sensitive to social opinion and behaviours. For Social Taxpayers, shame and guilt act as self-regulators against evasion, as does pressure from other taxpayers. Torgler labels them as conditionally cooperating taxpayers who pay their taxes in full when they see that others do the same or not when others begin to limit their liability to the state. In the case of this group of taxpayers, relative comparisons also affect their satisfaction with the tax system. In short, they believe that, proportionally, they are being unfairly taxed when compared to others, and this induces anger and rage, which in turn reduce the moral cost of tax evasion. In the case of the Intrinsic Taxpayers, compliance comes from a sense of duty, but they are also sensitive to institutional factors. The behaviour of the government and the tax authorities might both increase and reduce their willingness to cooperate. Hence the need for these institutions to treat citizens with an expected level of respect and trust plays a significant role. Lack of these leads to a more opportunistic attitude towards the payment of tax. Honest Taxpayers are taxpayers who do not make any attempt to evade tax regardless of any penalties for non-payment. As such they are highly critical of tax cheats. At the opposite extreme are Tax Evaders, who accept such an unethical approach, and whose tax decision is solely dictated by the economics of profit and loss. Tax Evaders' behavior is best described by the Deterrence Model (Allingham and Sandmo, 1974).

The purpose of the study was to identify groups of taxpayers who held similar attitudes towards to both tax fairness, personal and social tax norms, with similar tax benefits and whose evaluation of other taxpayers' behaviour was comparable, as well as undertaken tax evasion. In other words, groups with similar attitudes towards taxes and similar taxpaying behaviours.

The study was focused on the socially important areas of tax morale, tax fairness, tax mentality, the and significant empirical correlation with taxpayers' behaviour, as outlined in earlier paragraphs. Furthermore, the purpose of the study was not only to elicit some types of taxpayers, but also to explore the factors shaping them. Identifying taxpayer groupings, not on the grounds of theoretical assumption, but rather based on empirical data allows better understanding of taxpayers, their beliefs and behaviour. The recognition of any specific characteristics pertaining to each type of taxpayer will not only enable a better understanding behind their motives and actions, but also serves a great practical importance. The results may in fact become the inspiration for the tax authorities in the development of a more differentiated fiscal policy. In turn, by establishing social groups, in which are anchored particular types of taxpayer, it will be possible to determine the recipients of such differentiated strategies which have been introduced in order to strengthen tax discipline.

2. Method

2.1. Sample and procedure

The study was performed on 558 adult Polish taxpayers; cases were dropped list-wise when data was missing. This provided the final sample of 485 individuals for the analysis (a response rate: 87 %). The sample consisted of 67% and 33% men. 47% were younger than 30 years, 48% were between 30 and 49 years, and 6% were older than 50 years of age. Of the respondents, 49% had received a secondary education, and 51% had a master degree. About 73% of the respondents were employees, and 27% were employers.

The study was carried out during lectures (part-time studies) and in cooperation with the tax advisory offices. Each subject received an envelope with questionnaires and information letter about the objectives of the study and the confidentiality of the data. Sealed envelopes with the completed material were put into a box in the lecture room and in the box in the tax advisory offices.

2.2. Measures

Tax morale was assessed on a Personal and Social Tax Standards Scale (PSTSS) based on the measures proposed by Wenzel (2004, 2005a,b) and Blanthorne & Kaplan (2008). A new measure was created due to fact that Blanthorne and Kaplan's scale focuses on only an individual perspective and Wenzel's scale examines only selected types of tax evasion. The Personal and Social Tax Standards Scale takes into account three types intentionally tax evasion estimated from the individual and social perspective. The exploratory factor analysis conducted on data from pilot study (N=203) elicited two factors solution, which explained 51.50% of variance, all items reached loadings above 0.60. The results of the conformity factor analysis on data from presented study demonstrated stability of a two- factor model of tax morale (χ^2=168.672, p<0.001; RMSEA=0.078, GFI=0.914, NFI=0.901). The PSTSS contains 11 items in a self-report format that uses a Likert-type scale from 1 to 7 (completely disagree, completely agree), 6 items for Individual Tax Standards Scale (e.g.: *In my opinion, underreporting tax liabilities is trivial offence; In my opinion, there is nothing wrong in receiving wages in cash without paying tax; Underreporting tax liabilities in tax return goes against my moral principles*; α=0.82), and 5 items for Social Tax Standards Scale (e.g.: *In my close relatives and friends opinion, there is nothing wrong in receiving wages in cash without paying taxes, In my close relatives and friends opinion, underreporting tax liabilities is trivial offence*, α=0.74). Answers to the six items of scale were averaged to obtain an index of personal tax morale.

Perception of the tax procedural fairness was assessed with the Procedural Fairness Tax Scale (PFTS) based on the measures proposed by Murphy (2003, 2009) and Verboon and van Dijke (2011). The scales measuring organizational procedural fairness (De Cremer et al., 2005; Blader &, Tyler, 2009) were utilized to extend an approach to examine procedural tax fairness elaborated by Murphy and Verboon & van Dijke. It was generated 25 statements, some of which were concerned with the process of decision making by the tax administration and the opportunity for participation in that process, as well as others items related to information provided to taxpayers and some items involving relations between the tax authorities and taxpayers. To analyze the factor structure of the PFTS, an exploratory factor analysis with varimax rotation was conducted on data from pilot study (N=203). The analysis has identified two subscales, named decision fairness (5 items), and treatment fairness (8 items). Two factor solution explained 57.19% of the variance, all items reached loadings above 0.50. The results of the conformity factor analysis on data from presented study demonstrated stability of a two-factor model of procedural tax fairness (χ^2=379.71, p<0.001; RMSEA=0.091, GFI=0.896, NFI=0.891). The final version of the questionnaire contains 13 items in a self-report format that uses a Likert-type scale from 1 (completely disagree) to 7 (completely agree). Subscale of decisions fairness contains 5 items (*Criteria for decision-making by the tax office are public; Overall, the tax office is honest; The tax office's decisions are stable, circumstances independent The tax office always has necessary information to take right decisions*; α=0.88), and subscale treatment fairness 8 items (*The tax office treats all taxpayers thoughtfully; The tax office is user-friendly; The tax office treats everyone respectfully*; α=0.85). Answers to the items in each scale were averaged to obtain indexes for decision fairness and relations fairness.

Fairness Exchange Scale (FES) was used to estimate fairness of exchange between individual and state. It was generated 16 statements based on literature review. The statements concerned personal/other contributions to the state in form of taxes and personal/other profits in the form of access to the various public goods and services. To analyze the factor structure of the FES, an exploratory factor analysis with varimax rotation was conducted on data from pilot study (N=293). Four factor solution explained 66.14% of the variance, all items reached loadings above 0.60. The results of the conformity factor analysis on data from presented study demonstrated stability of a four- factor model of tax exchange fairness (χ^2=127.962, p<0.001, RMSEA=0.081, GFI=0.919, NFI=0.921). The final version of the questionnaire contains four subscales: the other taxpayers' outcomes (α=0.70), own outcomes (α=0.65), the other taxpayers' inputs (α=0.89) and the own inputs (α=0.83). The difference between proportion of the own and others' inputs/outcomes was taken as an index of tax exchange fairness. The high values of the index exchange testified to justice. High negative values of the index exchange illustrated that the proportion is less favorable for person, and positive that is less favorable for others. The values tax exchange index equal and close to zero testified to justice perception.

Perceived vertical and horizontal tax justice were measured with one item (*In my opinion people with the same income pay 1: much less taxes, 5: much more taxes than me; in my opinion the tax amount, which pay people*

with much higher is 1: very low, 5: very high) (The terms perceived vertical and horizontal tax justice are distinctive: horizontal justice concerns taxpayers' evaluation their burden compared to other taxpayers of the some income level, and vertical justice refers to evaluation tax burden compared to other taxpayers of the different income level).

Perceived tax evasion was measured with two items. Participants estimated frequency of underreporting income and exaggerating deductions in the tax returns by most taxpayers (1- never, 5- always, α=0.79) . The average score was an index for perceived tax evasion.

The financial effect of tax advances account was measured by four items; two concerning tax overpayment (e.g.: *Did you obtain tax refund in last two years; yes, no*; α=0.70) and two tax underpayment (e.g.: *Did you have to pay additional amount of taxes in last two years; yes, no*; α=0.84). The difference between the total refund and additional tax payments was used to calculate the tax advances index. The higher index (close to 2), the more favorable financial effect of tax advanced (more often received tax refund than the obligation to pay additional amount of money).

To estimate tax evasion indirect and direct methods have been used. The former used macroeconomic data, the latter data obtained from taxpayers in the form of official documents (tax returns) and more often survey data. As in Braithwaite (2001a,b; 2003), Weigel et al. (1987), and Wenzel (2002, 2005) tax evasion was examined directly in the conjunction with survey. The following three items were used: 1) In the past I have deducted more money than is allowed, 2) In the past, I have underreported my income, 3) In the past, I have obtained cash income and failed to this to the tax office (1- *yes*, 0- *no*). The internal reliability of the scale was very good with Cronbach's alpha 0.94. The sum score over the three items was taken as an index for tax evasion.

3. Results

K-means cluster analysis was used to identify groups of taxpayers. The analysis differentiated between four clusters. Most respondents were classified into the second (N=154) and fourth (N=138) cluster, and fewer into the third (N=98) and first (N=95).

The first (M=2.48) and third (M=1.36) clusters were composed of people who had experienced tax evasion. In the first cluster were included those who usually had to pay extra amount of money, when filling tax return (M=-1.59). Those in this group estimated distributive fairness taxes rather high (M_{HF}=3.00; M_{VF}=2.81; M_{EF}=0.22) and procedural tax fairness to a less extent, especially quality relationships with the tax authorities (M_{QD}=3.53; M_{QR}=3.03). They saw other bands of taxpayers as more tolerant of tax evasion than themselves (M_{PN}=3.30; M_{SN}=3.86), and perceived them as tax cheats (M_{PTE}=2.73). This suggests that social and financial factors affect the behaviour of that group. Therefore, changing the situation, for example by declining the amount of tax liabilities might limit or reduce completely tax evasion in this group. This type of taxpayer could be described as External Tax Evader.

Participants assigned to the third cluster were of the opinion that the procedural fairness in assessing taxes as very low. They perceived the relationships between taxpayer and tax authorities as biased, unreliable, harsh, disrespectful or without any opportunity for the taxpayer to express their opinion (M_{QD}=2.40; M_{QR}=1.96). However, distributive tax fairness was estimated to be rather high, especially vertical fairness (M_{HF}=2.81; M_{VF}=3.54; M_{EF}=0.12). They considered tax evasion to be a trivial offence, and did not consider cheating on taxes as unethical behavior, alike as other citizens (M_{PN}=4.81; M_{SN}=4.79). They considered other taxpayers to be cheaters (M=3.11). These participants obtained tax refund more often than they had to pay additional tax (M=0.1). This type of taxpayer could be described as an Intrinsic Tax Evader.

Participants from second (M=0.51) and fourth cluster (M=0.23) evaded taxes to a lesser extent; the tax evasion index was the lowest in the fourth cluster. In addition, taxpayers from this cluster held the firmest belief in tax principles, especially personal norms (M_{PN}=2.04; M_{SN}=2.92). They regarded other taxpayers as honest citizens (M=2.19). Distributive tax fairness was estimated by them to be rather high (M_{HF}=3.00; M_{VF}=3.33; M_{EF}=0.35); similarly, procedural tax fairness (M_{QD}=3.95; M_{QR}=3.51). These participants obtained tax refund more often than they had to pay additional tax (M=1.20). It might be assumed that participants included in the fourth cluster if tempted to evade tax, are governed by their fear of social disapproval as well as their strong moral discipline. This type of taxpayer might be defined as an Intrinsic Taxpayer.

Participants gathered into second cluster regarded the quality of the decisions made by tax authorities and relationships as high (M_{QD}=4.02; M_{QR}=3.74). Distributive tax fairness was estimated to be lower than procedural fairness, especially fairness of exchange with state (M_{HF}=3.00; M_{VF}=3.43; M_{EF}=0.12). Their tax norms were rather permissive (M_{PN}=3.81), but to a lesser extent than others taxpayers (M_{SN}=4.16). Participants from second cluster also often received tax refunds (M=1.07). It might be assumed that participants from second cluster when considering tax evasion tactics are influenced by how fair they perceive the relationships with the tax authorities to be. The type of taxpayer represented in the second cluster might be defined as External Taxpayer (Table1).

Additionally, when standard deviation values are taken into consideration the above indicate that the variation beliefs within each cluster were similar. Standard deviations values ranged from 0.50 SD to 1SD. However, the variation within particular clusters was more noticeable in the case of behavior - the greatest tax evasion occurred within third cluster (SD=1.24) and the lowest within fourth cluster (SD=0.23) (Table 1 - See page 376).

Table 1. Differences between clusters

Variables	External Tax Evader M (SD)	External Tax Payer M (SD)	Intrinsic Tax Evader M (SD)	Intrinsic Tax Payer M (SD)	F	p
Horizontal fairness	2.96(0.46)	2.94(0.57)	2.81(0.79)	3.01(0.24)	2.93	0.033
Vertical fairness	2.81(0.96)	3.43(1.02)	3.54(1.16)	3.33(1.02)	9.58	0.001
Exchange fairness	0.22(0.60)	0.12(0.61)	0.12(0.93)	0.35(0.68)	3.15	0.025
Decision quality	3.53(0.91)	4.02(0.64)	2.40(0.89)	3.95(0.93)	87.72	0.001
Relation quality	3.03(0.99)	3.74(0.85)	1.96(0.73)	3.51(1.13)	78.82	0.001
Personal norms	3.30(1.18)	3.81(0.85)	4.81(0.88)	2.04(0.66)	203.27	0.001
Social norms	3.86(0.95)	4.16(0.69)	4.79(0.85)	2.92(0.85)	107.18	0.001
Perceived tax evasion	2.73(0.80)	3.00(0.74)	3.11(0.84)	2.19(0.78)	35.58	0.001
Tax advances	-1.59(0.69)	1.07(0.97)	0.61(1.06)	1.20(1.06)	189.01	0.001
Tax evasion	2.48(0.97)	0.51(0.88)	1.36(1.24)	0.23(0.23)	130.51	0.001

Table 2. Discriminat analysis outcomes: correlations between variables and canonical discriminate functions

Variables	Function 1	Function 2	Function 3
Horizontal fairness		-0.08	
Vertical fairness		0.15	
Exchange fairness			-0.11
Decision quality			0.77
Relation quality			0.75
Personal norms		0.65	
Social norms		0.45	
Perceived tax evasion			0.30
Tax advences	0.55		
Tax evasion	-0.53		

Note. * 96.3 % persons correctly classified

Since test F only has an illustrative character for the cluster analysis, a discriminant analysis was conducted (see Table 2). The first discriminant function explained 50.3% of the variance of the variables. Using a canonical correlation coefficient it could be demonstrated that the value of that function was high - 72% of the variance of that function was explained by differences between groups. The financial effects of tax advances and the experience of tax evasion most strongly correlated with the first function, which also indicated the differences between both types: Tax Evader and Taxpayer. The second discriminant function explained 37.4% of the variance, and 64% of the variance was explained by differences between the groups. The variables which most strongly correlated with the second function were personal and social tax norms. The latter function also showed the differences between the Intrinsic Taxpayer and the Intrinsic Tax Evader. Finally, the third function explained 7.3% of the variance, 26% of which was accounted by differences between the groups. Both aspects of procedural fairness in taxation correlated most strongly with the third function. This function showed the differences between the Intrinsic Taxpayer and the External Taxpayer.

It should be noted that a full analysis of different number clusters was undertaken. A four cluster solution was chosen due to the significant F values obtained for each variable and the results from the discriminant analysis. There were non-significant differences in the solution obtained with the three and fifth number of clusters, especially in the last-mentioned. Furthermore, discriminant analysis results demonstrated that in solution using the explanatory value of the fifth number cluster, one function was non-significant, and the canonical correlation coefficient demonstrated that only 1.21% of the variance of that function was explained by the differences between groups.

In order to determine whether the elicited types of taxpayers are anchored in different social groups, test χ^2 was used. The results demonstrated that both types of Tax Evaders were most common among employers. It was noted that men aged 40 - 49 years, with an average or high income felt more of a moral obligation to pay tax. External factors were seen to make more of an impact on women with secondary education and a low income in the age group aged 20 to 39, and above 50.

Table 3. Anchoring elicited types of taxpayers in social groups (% within variables)

	External Tax Evader	External Tax Payer	Intrinsic Tax Evader	Intrinsic Tax Payer	χ^2
Employment					
Employee	17	34	18	31	
Employer	26.5	25	26.5	22	13.30**
Gender					
Female	22	33	17	28	
Male	15	28	28	29	10.62*
Education					
Secondary	14	32	23	31	
Tertiary	24	32	17	27	9.83*
Age					
20-29	18	33	22	27	
30-39	25	29	21	24	
40-49	19	30	11	40	
50+	0	41	26	33	18.45*
Income					
Low	21	30	19	30	
Average	16	38	20	26	
High	30	19	17	34	
Very high	13	38	28	21	18.36*

Note. * $p < 0.05$, ** $p < 0.005$

4. Conclusions

The study elicited four types of taxpayers. The first and second type are the most common. In the case of Intrinsic Taxpayers, evidence shows that they attempt to curb/restrain their fear of third-party disapproval before any attempt at tax evasion, while External Taxpayers manifest this moral distortion when dealing with any fairness shown by the tax authority. A moral obligation to pay taxes was most often found in men, middle-aged people, with an average or high incomes. External Taxpayers are most common among women, employees, young and older taxpayers, with low or high incomes. The first selected type, the Intrinsic Taxpayer, corresponds to Torgler's Honest Taxpayer (showing the regulatory importance of tax personal tax norms) and the Social Taxpayer (who manifests a sense of social control), and in terms of Braithwaite commitment posture (demonstrating a moral obligation to pay taxes). The External Taxpayer resembles Torgler's Intrinsic Taxpayer due to the sensibility of institutional factors, but both types are differentiated through rigorous tax personal norms. The External Taxpayer type is similar to the capitulation posture, where cooperation with the tax authorities is the result recognized perception of the former as representatives of legitimate authority (procedural fairness, relational aspect).

Respondents representing the Intrinsic Tax Evader do not consider cheating on taxes as unethical behaviour. They perceive others to be both more tolerant to tax evasion than themselves, and tax cheaters. In addition, they estimate procedural tax fairness to be very low. This type of evader is consistent with the Disengagement and Resistance posture, and Torgler's Tax Evader. The equivalent of the last of the selected types, the External Tax Evader, could be classed as the game-playing posture, but a similar equivalent is difficult in the Torgler's typology. External Taxpayer decides to evade due to the necessity of paying additional amount of taxes. Both types of tax evaders are most common among employers. In Intrinsic Taxpayers this is apparent in the stage before the process evasion restrains their own tax standards and their internal fear of disapproval from the restricted others. In turn, the Intrinsic Tax Evader believes that others do not consider cheating on taxes to be a criminal offence or an unethical act. Thus it can be noted that a perceived permissiveness of social norms leads to permissiveness in personal tax norms, and in the end reduces fiscal discipline. Those in the first group of taxpayers are of the opinion that a sense of duty obliges all citizens to follow tax regulations and that, most taxpayers cooperate for the common good. The second group avoids paying taxes because it is convinced that the other taxpayers cheat - pay very little or not at all. They are convinced that fulfillment obligation to the state when others neglect this duty, is purposeless. Fiscal discipline as manifested by Intrinsic Tax Evader and External Taxpayer is determined by their perception of the procedural fairness of taxes. In the former fair treatment by the tax authorities strengthens tax compliance, but in the   latter procedural injustice decreases it.

The issue of how to reduce tax evasion on income has been widely discussed. The approach taken by state instutions may affect the behaviour of taxpayers, not only as a result of economic factors, but also a strengthened fiscal discipline affecting tax morale and a perceived fairness of taxes. The results of the study indicate a type of activity

targeted to specific groups of taxpayers. Therefore, this suggests that tax authorities should focus on campaigns strengthening society's tax norms. The state through its education policy could strengthen a collective belief that paying taxes is not an ethically detached act made by an individual but a citizen's duty as part of society. Information campaigns showing the prevalence of such attitudes and behaviours would reinforce the rectitude shown by both types of taxpayers in adhering to taxation laws, and would also have an impact on tax mentality through social conformity. Intrinsic Tax Evaders could also be the target for activities aimed at the development of tax morality and taxation itself. These people do not consider cheating on taxes as unethical behaviour and are convinced that other citizens have a similar attitude to their duty to pay tax. In addition, they regard procedural tax fairness as very low. If there was a focus on procedural justice, this could also strengthen fiscal discipline. The development and implementation of better work standards in tax administration, along with a systematic study of the quality of tax administration and interpersonal skills training could enhance the procedural fairness involved in taxation.

Both the Intrinsic Tax Evader and External Tax Evader type are to be found among employers. In the latter cheating on taxes is mainly determined by a tax levies - necessity to pay additional amount of taxes. Therefore suitable advance tax ruling system is important. Based on Prospect theory and the results of the study, the total amount of advances should be equal or higher than the actual amount of advances in a tax year. For this purpose a single flat rate of taxation might be introduced, or a mechanism to prevent underpayment in the progressive scale of taxes might be implemented. Such solutions reduce the frequency of such questionable activities as tax evasion. It is one of easiest and most practical ways for tax authorities to strengthening fiscal discipline (Hasseldine, 1998).

Although the outcome of the research allow for better understanding of taxpayers' behaviour, they are also thought to bring limits concerning research groups. First of all, the research group was not a representative. Consequently, it is not possible to generalize on these results on the whole Polish population. The total number of participants was higher than the size of the research group; data sets from part of people were excluded from statistical analysis due to insufficient number of answers, especially concerning tax evasion. Thus, considering all the data gathered could have been altered a capacity and a link between variables. Simultaneously, the obtained results demonstrate significant relationships between variables, and therefore studies devoted typology of taxpayers are worth to be continued.

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