Chapter 45
The Ethics of Tax Evasion:
A Case Study of Brazil

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ABSTRACT
This chapter summarizes the theoretical and empirical literature on the ethics of tax evasion and then proceeds to examine the opinions of 1,483 Brazilians on the issue using the data from the most recent World Values Survey. The study finds that although Brazilians are strongly opposed to tax evasion in general their opposition is less than absolute in many cases. An examination of some demographic variables highlights some of these cases.

INTRODUCTION
People have been evading and avoiding taxes for thousands of years (Adams, 1982, 1993). A number of theoretical and empirical studies have been conducted on the phenomenon, especially in recent years. The extant literature on tax evasion is multifaceted. Some scholars examined various public finance perspectives. The present chapter takes a different perspective as it focuses on attitudes toward tax evasion and the ethics of evading taxes under certain circumstances. Most of the main theoretical and empirical studies covering ethical aspects of tax evasion are summarized from various perspectives. The relevance of various demographic factors such as gender, age, religion, religiosity, marital status, ethnicity, social class, level of education, employment status, town size, region of the country, happiness, health, extent of confidence in government and political party affiliation are examined empirically. The World Values Survey dataset is utilized to examine attitudes toward tax evasion in Brazil.

LITERATURE REVIEW
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running through these studies is that people evade taxes because they can or because they believe the government is not entitled to the money.

Studies of Armenia (McGee, 1999; McGee & Maranjyan, 2006, 2008) found that people evaded taxes because the mechanism for collecting taxes was inadequate and because people did not believe the government was worthy of receiving a portion of their hard-earned income. This view is common in former Soviet republics and in the former communist bloc countries of Central and Eastern Europe (McGee, 2012a). Studies of Armenia (McGee, 1999; McGee & Maranjyan, 2006, 2008), Bulgaria (Smatrakalev, 2012), Bosnia & Herzegovina (McGee, Basic & Tyler, 2008, 2009), Estonia (McGee, Alver & Alver, 2008, 2012), Poland (McGee & Bernal, 2006), Romania (McGee, 2006b; McGee, Basic & Tyler, 2008), Russia (Vaguine, 1998), Slovakia (McGee & Tuson, 2008) and Ukaine (Nasadyuk & McGee, 2007, 2008) support this position, and it is likely to be the position held in other countries as well. People are less likely to evade taxes if the potential punishment is severe, or if the probability of getting caught is high (Cebula, 2001; Kaplan & Reckers, 1985; Kirchler & Maciejovsky, 2001; Torgler, 2012), although, in the past, some people have evaded taxes even if the penalty is death (Adams, 1982, 1993).

One of the most comprehensive twentieth century studies on the ethics of tax evasion was conducted by Martin Crowe (1944), a Catholic priest, who wrote a 192-page doctoral thesis on the subject. He reviewed 500 years of philosophical and religious literature on the subject, much of which was in Latin. He identified and summarized about a dozen reasons why individuals in the past have justified tax evasion. The most common reasons were because the government was corrupt, tax rates were too high, the tax system was unfair, the tax funds were wasted, the people did not receive any benefits from the government, or the people did not have the ability to pay. Some more recent comprehensive studies were conducted by Torgler (2007 – 307 pages) and McGee (2012a – 689 pages). Both of these studies included both theoretical and empirical approaches.

An examination of the extant literature reveals that three basic positions on the issue of tax evasion have evolved over the centuries. Tax evasion is either never justified, sometimes justified, or always justified (McGee, 2006a). Empirical studies have found the most popular position is that tax evasion is sometimes justified, depending on the facts and circumstances (McGee, 2012a). It has been suggested there is a fourth possibility – that there is a moral duty to evade taxes in some cases, such as when the government is evil (McGee, 2012c). A strong case tested in several empirical studies was that tax evasion would be ethical for Jews living in Nazi Germany (McGee, 2012a). In such cases, there is a moral duty to cut off funding to an evil regime, since cutting off funding prevents them from doing more evil.

At least two other philosophical arguments have been put forth that there is a duty to evade taxes (McGee, 2012c). If one applies utilitarian ethics, and if one begins with the premise that the government sector is less efficient than the private sector, or that the government sector cannot fulfill the needs of the people as well as can the private sector, then the logical conclusion is that society benefits more by preventing funds from flowing from the private sector to the government sector. In other words, tax evasion results in more societal benefit than does paying taxes.

The other rationale justifying the position there is a moral duty to evade taxes involves the concept of a just society. If one agrees with Bastiat (1968) that the definition of a just society is a society where injustice is absent, and if one believes that confiscating assets at the point of a gun (taxation) is unjust, then injustice can be reduced by evading taxes since it reduces the amount of asset confiscations in society. If there is a moral duty to reduce injustice, then tax evasion becomes a duty. A counterargument to this view is that taxation does not involve confiscation
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