CHAPTER 5

Making Tax Compliant

Abstract Taxes are repetitive exchanges that trigger taxpayers’ expectations. In this sense taxation can be said to be a ‘total social phenomenon’ which, according to Marcel Mauss, has three obligations: to give, to receive and to give again. Taxes have been given—taken is perhaps more appropriate as most taxpayers do not have a choice—but there is clearly an expectation of receiving something in return. Taxation also create expectations on other members in society; that they also give and receive something back—on approximately the same level as I do. Seeing taxation as creating reciprocal relations makes for a deeper understanding of why people both comply with taxes and avoid doing so—including the everyday quid pro quo exchanges.

Keywords Balance outstandings • Fair tax share • Quid-pro-quo reciprocity • Fiscal citizenship

Taxation Is a Total Social Phenomenon

Those who exchange presents with one another
Remain friends the longest
If things turn out successfully (Mauss 2002 [1990]: 2)

These were the lines this book started with, and so it will end. Throughout this book I have been thinking about insights from Marcel Mauss’s
The Gift, said to be the most inaptly named book ever in social science (Hart 2007), as it discusses so much more than an altruistic transfer of a good. The Gift is an armchair ethnography with examples in time and space that describe the relations created by people’s various types of exchanges. Among them are the lines quoted above from the medieval Icelandic Edda. The great accomplishment with The Gift is Mauss’s discovery of a mechanism that combines individual interests with the making of a social system (Douglas 2002 [1990]: xviii). Thinking about all the various types of exchange that Mauss provides us with illustrates alternative possibilities (Maurer 2016: xiv). It makes us think that there can be other ways of exchanging, other ways of organizing society as the various types of relations created by exchanges proliferate—there are many varieties of reciprocity.

If reciprocity can be used to describe any type of relation based on exchange, it probes the question of whether reciprocity as a concept has any meaning at all. There have been many who have questioned its use if it is to cover all type of exchanges, yet it is because of its versatility that reciprocity is forceful. It provides a strong correlation between different modes of economic exchanges; for example, when it can be used to describe both the good and the bad relations created by different types of exchanges as well as people’s economic interactions with the state they reside in.

Taxes are repetitive exchanges that trigger taxpayers’ expectations. In this sense taxation can be said to be a ‘total social phenomenon’, which according to Mauss has three obligations: to give, to receive and to give again. Taxes have been given—taken is perhaps more appropriate as most taxpayers do not have a choice—but there is clearly an expectation of receiving something in return. Taxation also creates expectations of other members in society; that they will also give and receive something back. This book has argued that to see taxation as creating reciprocal relations makes for a deeper understanding of why people both comply with taxes but also avoid doing so.

To understand why people pay tax does not rest on one simple explanation. This is acknowledged both by the Swedish Tax Agency and by many tax compliance researchers. Citizens do not pay tax only because they have to; they do not pay because they are treated as customers, because they believe that everybody else pays, because moral obligations demand them to share with our fellow citizens or that the tax collector is
doing a fantastic job. Nor do people pay tax simply because they get something in return that is solely for their own personal benefit or because they think that the nation they reside in is utterly fantastic. It is more complicated; our willingness to pay tax depends on combinations of these factors including how tax laws are written, how these laws are interpreted and put into practice when collecting tax, but also on how this revenue is spent.

Research about tax compliance thus points to many, many explanatory factors addressing economic, legal and social issues. Some of this research has in various ways used reciprocity as a causal factor, yet in quite different ways. I proposed that there are four types of reciprocity. A *tit-for-tat* relationship expects something in return for taxes paid. This is not entirely instrumental (although it can be applied as such), but is also a strategy for giving a very clear message that I as a taxpayer expect something in return. The *copy-cat* relation’s reciprocal content is in doing what others, in a similar position to me, do. If I pay my taxes so will others, and likewise if they pay so will I. Closely related to this is paying my *fair share*. If we all provide what we owe into the same treasure chest, I trust that its content will be distributed for all providers’ benefit. Finally, it is a question of *equality*—of being treated in the same way as all other taxpayers, including the revenue collector. The latter has, as a governmental institute, access to an enormous amount of knowledge, and can also abuse its powerful position.

These four categories of reciprocity obviously overlap. That I desire something in return for the taxes I pay does not have to be only for my individual benefit; I might require the revenue to be spent on societal issues that I value and hold dear. Similarly, a tit-for-tat expectation can go hand in hand with all taxpayers being treated equitably and that other citizens get their fair share.

What we have seen from the Swedish example is that the everyday exchanges that create reciprocal relations between people—taxpayers—are often forgotten in tax compliance matters. Perhaps researchers are too busy concentrating on taxation from a state’s perspective.¹ Such a perspective omits and forgets what citizens do every day in private—outside the realms of the state. Yet such practices also have an impact on tax compliance. It is a sort of tit-for-tat reciprocity where the state is left out of the deal. I call it a *quid pro quo* reciprocity as it does not have a vestige of a revenge element in it as the tit-for-tat varieties have. People continuously exchange for all sorts of reasons and with various intentions. They engage
in market transactions, trades, barters, swaps, transfers and even thefts, making reciprocity in the sense that there is an expectation of a counteraction. In the case of avoiding tax, the point is that when the state is left out of the transaction it is often said to be owing to reciprocity. As we have seen, the Limningers strive for some sorts of reciprocal equilibrium when they exchange; they do so with the people with whom they exchange and it also allows them to justify their svart exchanges in terms of a reciprocal relation with the state. On the one hand, the svart exchanges often take place between people who have some sort of relation; on the other hand, a svart trade is more justifiable if there is a perceived outstanding benefit from the state. A balance has to be struck on both counts.

In tax compliance research this latter type of reciprocity, quid pro quo, has been somewhat forgotten. Taking reciprocal relations seriously means including both people who exchange directly and people who exchange without including the government; it is a holistic view of people’s economy, including both formal and informal exchanges. This approach makes for an increased sensitivity to what actually creates compliance in tax matters. Yes, compliance means following rules and regulations but it also means paying attention to human sociality; what it is that makes society possible.

When thinking about exchanges that ought to be subject to tax assessment, we have heard how an extended family gathers to help out painting an uncle’s house; how colleagues take a few days out of their vacation to help someone refurbish her/his house, how a lamp store owner and shoe shop salesman exchanged each other’s wares; how a gardener helps someone after work cutting down a tree and gets some money for his service; how a craftsman barters some bricks against a reduced invoice. According to a strict interpretation of the Swedish law all these exchanges ought to be taxed; the law says that all exchanges having value ought to be subject to tax assessment regardless of how they are remunerated. We all probably have each our view on which of the above exchanges ought to have had taxes included.

Against this background it might not be surprising that many Swedes are said to cheat with taxes. At first it might seem like a contradiction that the propensity of Swedes for purchasing svart arbete is quite high by international comparisons (Skatteverket 2006: 217) while they still have a great esteem for the state they live in (Inglehart and Welzel 2005). This is another reason for reciprocity being an appropriate concept to understand the somewhat idealistic view Swedes have of their relation with the state, their compatriots and society, the equitable People’s Home.
BALANCE OUTSTANDING

Participating in *svart arbete* involves keeping imagined accounts with the state and other people in the community. Buying or providing services *svart* stabilizes a perceived deficit back in favour of the taxpayer. Exchanges of *svart arbete* can be made in terms of reciprocal relations when the state is perceived not to have supplied its fair share—what it should have provided as a collector of its citizens’ money.

Throughout is the underlying notion of reciprocity as maintaining a balance of sorts; purchasing *svart*, valuing a service and agreeing on compensation. Viewing *svart arbete* through the spheres of community and state also highlights the tensions between the private and the public, the strong community and what services a responsible state ought to provide for its citizens, which type of exchanges ought to be subject for tax assessment and which should be left out.

As purchaser and provider in an exchange can view the transaction differently (Slater 2002: 240), so can their views on the balance of relations differ. This book calls us to take reciprocity seriously, and using ethnographic examples from Sweden I argue that the same type of expectations that exist between exchangers resides within the relationship that citizens as taxpayers have towards the state. Although exchanges between inhabitants and state are vast even from a daily perspective, impossible to quantify or account for, and immensely complicated in a welfare state, there is an abiding sense of a reciprocal relationship. From a resident’s perspective, reciprocal expectations indeed have an impact on the assumptions of what society should provide. I am thus using reciprocity to look at how balancing is aimed for—a perceived equitable standing—in citizens’ everyday exchanges and in how the state can find legitimate ways to tax them.

Buying *svart* can thus be seen as a response to a feeling of having contributed too much to the state. The tax level is used by many as a justification; it is said to be too high or too all-encompassing. There were many justifications such as ‘I pay more than other Swedes do’, with the implication that the ‘others’ are seen to provide less than they should. From this perspective, buying *svart* is a means of evening out other citizens’ negligence in contributing fairly to the state. ‘And if they cheat, I am stupid if I do not do the same.’ This balancing is a model for how giving and taking, in relation to the state and towards others’ contributions, ought to work. There are a number of ways in which a balance in dealings with the state can be maintained; contributions are looking at the taxpaying side—
while distributive balancing directs our scrutiny to who gets what for the collected revenue.

These views indicate that expectations and obligations are part of a citizen’s relations with the state and thus also subject to reciprocal sentiments. Cheating the state via svart purchases is seen as taking back something which rightly belongs to me. It is a balancing act in which reciprocal relations between oneself, other residents and the state are considered.

But it is not the case that any informal purchase can be used to balance perceived outstanding debts. There is a limit, and that is when the counterpart in an exchange ‘abuses’ the system; s/he does not contribute to the common treasure chest while simultaneously receiving means from it—for example, by buying svart from a provider who is simultaneously receiving unemployment benefits while claiming to be unable to work. Such a person cheats at both ends. This is not a balancing act, but unacceptable and despicable behaviour.

**FAIR SHARE—ALL NEED TO CONTRIBUTE**

People have expectations that their state should provide them with services of various sorts. This book has discussed examples from Sweden, one of the richest countries in the world and organized as a welfare state that aims to supply many services for its citizens. The state therefore plays a key role in protecting and promoting the social and economic well-being of its citizens. This has not come easily and is a fairly recent accomplishment. One hundred years ago Sweden was just one of many poor countries.

Collecting the right tax by making everybody paying ‘their fair share’ is the Agency’s strategy for building legitimacy. This fair share is neither a specific number nor a maximizing amount, but means making sure that each pays what they ought to according to the law and as democratically decided. As an old slogan from the Agency stated; *Vår åsikt om skatter ska vi uttrycka med vår röstsedel—och inte genom felaktig deklaration* (Our tax opinions should be voiced in voting, not by faulty tax returns) (Thärnström 2003: 119). Regardless of which political opinions they hold, taxpayers should obey the democratic order and pay the taxes due.

Providing such welfare is not possible, and perhaps not even wished for in many countries, and proposing a welfare state is not the subject of this book. But if there is a lesson to be learnt from the status of tax compliance
in Sweden, it is that a tax collector needs to pay attention to reciprocity created by exchanges—in people’s interactions with the state and its institutions but also in the manifold daily exchanges between people. Believing in reciprocity as one explanatory factor of how society is made possible, it is vital to think about how a state should tax its citizens. There are many ways in which national revenue can be organized, and in choosing taxation a government can apply many types of tax to various types of taxpayers—citizens, corporations, organizations, non-governmental organizations and so on: it must not necessarily be the people who reside and work in the nation who pay tax.

So should a nation tax citizens’ income at all? Thinking of Mauss and his examples of how society is made possible by people who give, who receive and who give again, the answer is yes.

If a state taxes its citizens, it creates expectations among them. Regardless of how poor or rich you are and how little or how much tax is paid (from a macro-economic view), a taxpayer will expect something for the money paid. The amount varies between taxpayers. The point is that taxes paid create an expectation that the state will provide some benefits for the taxpayer in return.

Yet there is also the issue of a tit-for-tat reciprocity. A citizen who pays a lot needs to understand why, perhaps publicly acquiring the status of magister in order to keep paying.

This is Mauss’s lesson; his true gift, if you like: to believe that giving something creates expectations of a countergift, which in turn triggers more giving, creating a society where we will never be quits (cf. Thomas 1991). From tax compliance research we have seen that tax revenue collected creates demands on the state, on its institutions and the people employed in various governmental capacities. Taxes paid demand a countergift of sorts.

This also means that fiscal revenue has to be treated with care. There cannot be any pilfering by corrupt officials for their private benefit and the money has to be administered with the same care as a poor person applies when being able to pay tax that is due from his/her meagre means.

One can provocatively ask if there is such a thing as citizenship without fiscal connection. Taxes paid are part of the social contract that brings rights and duties to taxpayers. Taxpayers contribute to the building of society—a material dimension of citizenship (Scholz and Lubell 1998). Throughout history the material relationship between citizens and nation states has taken on very many different guises. It has even been suggested
that this is one reason why the notion of EU citizenship does not succeed (cf. Maior 2010).

There are many lessons to be learnt from reasons why people comply with their tax payments, but one very important issue to pay attention to is reciprocity. The expectation of getting something back has to be fulfilled; the *something* will be of benefit for me, my family and friends, our neighbourhood, and for services that I believe the state should provide for its citizens. Reciprocity in tax compliance is not only a tit-for-tat relationship; it is more—much more. I have to believe that my neighbour and all other citizens pay for what we should collectively share; that we can perform the everyday exchanges; that we pay according to the same rules; and that these rules are interpreted equally and fairly. Amount and tax levels will also be subjects for discussion, but it is of vital importance that we all chip in, and therefore all have expectations of getting something back. In this way are society and state maintained.

**Notes**

1. One example is Godbout’s claim that taxes are not gifts. According to him the state fulfils its distributive role in two diverse ways. First, through anonymous indirect or direct monetary transfers. Second, it dispenses various welfare services such as social, health, support and schools. Such provisions are not based on personal relations (Godbout and Caille 1998: 61). Yet, taking the view of taxpayers, things change, and they certainly express expectations of various sorts that can be said to have the same consequences, as Mauss pointed out in *The Gift*—reciprocity.

2. *Svart arbete*, literally black marketeering, is the informal purchase of work and thus a transaction that does not include the taxes due.

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