SUPERDING TAX MORALE AND TAX COMPLIANCE OF SMEs: AN EXAMPLE OF TURKEY¹

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Introduction

Undercover the reasons of voluntarily taxpaying behaviour have aroused great curiosity from many scholars over the last several decades. As a result, related literature examined many effective factors of the behaviour such as: expected utility from tax evasion (Allingham and Sandmo, 1972), compliance costs (Hasseldine, 2001), fear of getting caught and facing tax penalties (McKerchar and Evans, 2009), auditing (Andreoni, Erard and Feinstein, 1998) equity and fairness of tax system (Spicer and Becker, 1980) and tax morale (Torgler, 2002).

Despite the other factors, tax morale has not been very widely discussed in the literature (Torgler, 2007). Nevertheless, moral and cultural motivations of taxpaying behaviour are playing an effective role on taxpayers’ compliance behaviour (McGee, 2006) although their effect may differ from society to society, as a result of different cultural roots and historical backgrounds of the societies. (Torgler and Schneider, 2007).

In tax morale literature, nearly all research focused on tax morale of individuals and so far only Alm and McClellan (2012) touched on firm perspective for our knowledge. They examined main measures of tax compliance by comparing Business Environment and Enterprise Performance Survey (BEEPS) and World Enterprise Survey (WES) data. However, there are not any researches has pointed out for Small and Medium enterprises (SME) so far in the literature.

This paper is a part of author’s PhD research which seeks an answer for the question of “What are the main determinants of tax morale on SMEs?”. Moreover, it aims to present results of the analyses of qualitative data that has been gathered from twenty SMEs’ partners-owners in Turkey about their understanding of the factors that affects/constitutes tax morale. By doing that, it is willing to develop the PhD research’s tax morale framework of SMEs which has presented in the paper.

1. Literature Review

Although the limited numbers of researches have touched on this issue, the neutral understanding of compliance term appeared on the literature as taxpayers’ “willingness” to pay (Kirchler, 2007). However, the term of willingness is creating a blurred picture for understanding while it is bringing some other problematic issues together, for instance, measuring the intention. Despite that, defining non-compliance represents more detailed understanding referring to failures with meeting the obligations of tax law regardless of these behaviours are intentional. Therefore, some scholars defined the tax compliance on basis of tax non-compliance (James and Alley, 2002; Kircher,2007).

¹ This is a working on paper that stems from authors’ on going PhD research.
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In the literature, Jackson and Milliron (1986) state one of the first definitions of tax compliance. They define compliant taxpayer as a person who files an “accurate, timely and fully paid return without Internal Revenue Service enforcement efforts”. However, more comprehensive definition is cited by United States Internal Revenue Service (IRS). IRS defines compliance with the reporting obligations of taxpayers. They define it as:

“Compliance with reporting requirements means that the taxpayer files all required tax returns at the proper time and that returns accurately report tax liability in accordance with the Internal Revenue Code, regulations and court decisions applicable at the time return is filed” (Rothh, Sholz and Witte, 1989). This definition is failing to express any intention about taxpayers’ motivation and social conditions towards tax which may cause non-compliance or over compliance problem (Hasseldine, 2001). Despite the literature includes some other definitions of tax non-compliance regarding to this issue Kinsey (1984) explains non-compliance as “intentional or unintentional failure to meet their tax obligations”. Weigel (1987) defines it as: “tax cheating and evasion as deliberating actions for tax non-compliance by paying less tax amount then are actually obligated”. Rothh, Sholz and Witte (1989), classed the non-compliance behaviour in three groups: “failing file to return, failing to report tax liability on return, failing to file tax liability on return and failing to remit taxes owed”. They also mentioned some main motives of tax non-compliance. According to them, tax non-compliance is a common attitude, unreported income should be included unreported income (according to percentage of occurrence from high to low), overstated subtraction, non filling and arithmetic errors, and most non-compliance comprises considerably low amounts. Some over reporting of income and under subtraction is counting as tax non-compliance (Rothh, Sholz and Witte, 1989; Hasseldine and Li, 1999). Hasseldine (2001) also added some other patterns of tax compliance, which might be a result of complicated tax compliance procedure that requires expertise, such as deliberate choices of taxpayers, being careless by doing the tax duties, misinterpretations of tax law or other requirements and omissions. In addition, he explained the tax compliance costs might also be a concern of taxpayer which is effecting the compliance.

All attempts towards to defining tax non-compliance aspects in the literature can be understood as counter definitions of tax compliance. In other words, describing the opposite behaviour substantially might be counted as definition trials of tax compliance and these attempts try to explain the meaning of “willingness” as mentioned above.

In addition some scholars explain different forms of compliance. For instance, McBarnet (2001) divided compliance into three different forms. First, he defines committed compliance as a form of compliance which refers the taxpayers’ willingness to pay their taxes without any complaints. Secondly, he added caputilative compliance as reluctantly giving in and paying taxes. Lastly, creative compliance is defined as engagements to take advantage of the gaps in the tax law, possibilities of lower the income level or to arrange a new expenditure policy according to tax obligations by not violating the obligatory base (Kirchler, 2007). For the creative compliance, he counts tax avoidance as tax compliance which might be an arguable hypothesis.

Despite all definition attempts on tax compliance it should be argued that there is not any generally accepted tax compliance definition exists in the literature. Therefore, it is hard to reach and indicate a definition of tax compliance in this research. However, there are mainly approved aspects of tax compliance exists in the literature such as willingness of taxpaying or voluntarily paying of taxes.
In the literature there are two main models-approaches approved towards to explaining taxpayer compliance behaviour. These are economic deterrence and social psychology models (Hasseldine, 2001). However, later researches mentioned another category which is using both methods to examine tax compliance called fiscal psychology models (McKerchar and Evans, 2009). Even though this research is admitting above mentioned classification, there are some other classifications existing in the literature. For instance, the literature has divided in to three main streams namely financial self interest oriented studies, social commitment based studies and socio-behavioural analysis of tax compliance in Rothz’s book (Roth, Sholz and Witte, 1989). In addition, Milliron and Toy (1988) also pointed out separation of the factors and models are related with “matter of emphasis degree” (Hasseldine, 2001).

In ethics research, the term ethics or morals is interchangeably used to describe the moral values or moral principles of an individual in making the right or wrong decision (Crane and Matten, 2007). In the context of taxation, the importance of ethics in tax compliance behaviour is supported by previous studies of Jackson and Milliron (1986), and later in an updated work by Richardson and Sawyer (2001). The findings from their synthesis suggest that ethics is a significant variable in explaining tax compliance behaviour.

A considerable number of studies have attempted to examine the influence of ethics in tax compliance using either taxpayers or students as surrogates, such as Song and Yarbrough (1978); Reckers, Sanders, and Roark (1994); Anderson and Cuccia (2000); Trivedi, Shehata, and Mestelman (2005); Henderson and Kaplan (2005); Wenzel (2007); Ho and Wong (2008). The findings of all these studies suggest that ethics is an important element in complying with the tax law.

2. What is Tax Morale?

Tax morale as a term, earliest sounded in 1960s by Schmölders (1960) and Strümpel (1969) in demonstrated work of “Cologne School of Tax Psychology”. They emphasized that tax morale as a crucial factor to explain the tax compliance (Alm and McClellan, 2012). Although it has first stressed in 1960s, gaining more attention on the issue mostly delayed until the first criticisms of economic deterrence models that are trying to explain tax compliance with traditional neoclassical point of view (Frey and Feld, 2002). In 1990s, tax morale became a point of the concentration in academic circles (Torgler, 2007).

General agreement on the literature is defining tax morale as an instrictive motivation to pay taxes (Frey, 1994; 1997 and Torgler, 2007 ). Additionally, the literature linked tax morale with some other aspects such as “social norms” (Alm, McClelland, and Schulze, 1999), perceptions of “power” and “trust” (Kirchler, Hoelzl, and Wahl, 2008) and nature of the “fiscal exchange” (Feld and Frey, 2002).

Despite the issues discussed above, religiosity moral aspects of taxpaying behaviour have not generally been discussed in the literature (Torgler, 2006). Additionally, it might be claimed that understandings of such behaviour in a Muslim society would be different to that observed within a Christian society. In this point of view analysing a Muslim community such as Turkey might bridge the gap in the literature.

Considering the above mentioned work, it might not be wrong to claim that literature on tax morale is mainly focused on individuals and ignored companies.
a. SMEs’ Perspective

In last decades, number of small businesses increased rapidly in majority of the OECD countries (OECD, 2008). They consist nearly 99% of all companies in the OECD countries. Moreover, their contribution to employment is significant. That is why; policy makers are often interested in creating a considerably safe economic environment for SMEs.

Regardless of the fact that SMEs’ increasing importance on policies and economies of countries, their poor performance with fulfilling their tax obligations is identified as a problem (Ahmed and Braithwaite, 2005; Joulfaian and Rider, 1998; Wallschutzky, 1984). Despite this perception, SMEs’ tax compliance problem has not been a direct subject of many studies, except an un-wide literature (Rametse, 2009; Jabbar and Pope 2009; OECD reports on 2010 and 2008).

Additionally SMEs are generally non-professional companies. Therefore, they are more likely to be run by an individual. Consequently, their behaviours are closer to individuals. However, on the other hand, their nature and conditions are different. In addition, they are operating under a different tax regime and their obligations are hugely differ from the individuals. On this point, the research might produce a different perspective to the literature.

3. An Attempt to Understand SMEs’ Tax Morale

Understanding what factors can affect tax morale has been a subject of number of studies. Among these studies, two of them created a model to understand tax morale. Firstly, Pope and Mohdali’s model is divided factors that can affect tax morale in to external and individual groups. According to model, external environment consists of government (tax administration, legislation) and society (culture, traditions) which influence individual attitudes of taxpayers. Individual attitudes are considered as moral and religious beliefs. However, differences between moral and religious belief is not set. Additionally, their model applied with survey research to self-employed taxpayers in Malaysia. However in the model, difference between moral and religious beliefs has not been clearly pointed out and relevant elements of intrinsic paying of taxes such as fairness perception (Torgler, 2007), patriotism, culture and perception of government in terms of ideological view are not included individually.

Pope and McKerchar (2011) developed other model on tax morale which explains tax morale as a phenomena that can reveals over compliance of taxpayers that economic deterrence models are failing to explicate. They explained taxmorale with six variables, individual attitudes, Family and friends, religious beliefs, society, Tax administration and Government tax policies, and considered tax morale as a controversial factor with opportunities to evade on compliance decision. The model has not explained that whether mentioned factors can influence tax morale positivel or negaively. Additionally model can be described as conseptualising model and have not applied to the field yet.

Considering above mentioned models’ pros and cons, the model presented here might have an advantage to consider some other aspects such as patriotism, political view, and fairness while explaining tax morale. Moreover, the model can be understood as a modified form of Pope and Mohdali’s model. It acknowledges that there are two main groups of factors that influence tax moral; external environment and individual attitudes.
External environment factors are named as government, and social norms. Government describes tax policies of the government, revenue administration, and legislation. Revenue administration needs to be explained here as an important body on taxpaying behaviour. It stands for all kind of responses, declarations and notifications as an attitude towards taxpayers, including tax official’s education, service quality, tax inspection processes, tax offices’ physical status, website and protection of taxpayer rights. Social Norms is another factor that effects tax morale and it stands for family structure, traditions, certain level of ethics in the society and Tax mentality. Additionally it refers to a pattern in which other members of the society judge our behaviours as acceptable or unacceptable (Kornhauser, 2007).

While Environmental factors are creating a pressure on forming process of taxpaying behaviour, individual values should be considered as directly influencing conditions because of taxpaying or compliance decision itself as a judgement of a person whether it is a corporate body or individual.

In the framework; political view, religion, tax knowledge, education, fairness perception, patriotism, and perception towards the government are taken into consideration as instinctive factors that effects tax morale. In the factors, Political view stands for general philosophy that a person adopted or sympathises in his or her life. In other words, Political view can also be a label how he-she defines him or herself in the life for instance; socialist, conservative, liberal et al. Religion is another important factor on individual behaviours and has an ability to change directions of acts according to orders of the religion. Additionally different religions might have different views under same circumstances. For that reason, religion itself differs from general ethics. Although, culture factor included societies’ religious driven reflex, reason of counting religion as internal factor on behaviour is faith and its ability of changing personal ethics. Education refers to education level in the model. Tax knowledge refers to awareness of tax law.
Fairness perception is standing for understanding the fairness of tax system and taxpayers’ view of whether he/she is paying a fair amount of tax. Patriotism is refers to level of devotion to taxpayers country in the framework. In other words, level of trade-off between tax duty and love of the country is describing patriotism in the model. Lastly, in individual attitudes part, perception towards government refers support or approval level of taxpayer to the ruling part that is in charge of the government.

The model is showing effects of two sets of factors on forming tax morale. However, although, external environment factors acknowledged influencing tax morale via instructive factors, their ability to affect tax morale directly should be ignored.

On the tax morale side, it can be seen that the model describes tax ethics as a surrounding term to tax morale. Tax ethics defined differently as paying correct amount of taxes without cheating (Megee, 1997). While tax morale is defined as instinctive motivation to pay taxes (Torgler, 2007). Consequently, despite the fact that taxpayer is declaring and paying right amount of tax, by definition he or she is not be covered in tax morale but tax ethics. In other words, tax morale refers some motivation that put taxpayers into voluntarily compliance while tax ethics is compliant but not necessarily voluntarily.

Although above mentioned model only focuses on individual taxpayers, tax morale is effective on compliance decisions of corporate taxpayers as well. For this purpose, formerly mentioned tax morale model upgraded to explain SMEs’ tax compliance behaviours.

In the framework external attitudes and external factors remained same. In additional to that number of factors which consist cooperate behaviour is adopted to the model with economic factors to find out elements of SMEs’ tax compliance behaviour.
Corporate behaviour formed as aspects of professionalism, risk preferences, tax advisors effect company structure, compliance costs and tax complexity.

Professionalism refers to ability and level of expertise of employees in the company. Risk preferences refers to probability to get caught when company invols to a tax fraud. Tax advisor’s effect is standing for ability and knowledge of company’s tax adviser. Moreover, it refers to influence ability to company’s compliance decisions. Company structure, refers to structure and management of a company whether it has reaching its decisions through its departments or obtaining a family structure model which is mostly influenced by few number of individuals in any kind of decision. Compliance costs are refers to cost of meeting with tax law and government requirement to company. Lastly, Tax complexity is refers to complexity of tax requirements of company and its ability to understand it.

In the model, economic side of decision represented with variables of size of economic obligotion that company faces, applyability of deterrence policies on tax evasion and economic size of punishments. These economic conditions are effective on compliance decision however the relationship can be contraversial which might neglect economic factors according to importance of tax morale in the company. Although the decision seems to be taken directly from company level, real decision making process going trough tax morale according to framework.

4. Methodology

The research is aiming to use a pragmatism paradigm to understand the tax morale effects on compliance behaviour of SMEs which is approvable for researchers ontological stance. Pragmatism as a research paradigm is concerned with the appropriate approach to solve the research problems, finding the appropriate methods to answer what the researcher wants to know (Feilzer, 2010) by using both quantitative and qualitative approaches (Creswell, 2009). Thus, the original study has a mixed method in nature, combining both quantitative and qualitative techniques. However this paper only aims to present some of the qualitative findings, hence, the discussion is focused mainly on the qualitative approach applied in the study.

a. Interview participants

One of the main advantages of using qualitative methodology in understanding social phenomena is the ability to facilitate in the meaning-making process (Krauss, 2005). Since qualitative methodology focuses on the richness of the information, meanings in a qualitative study are expressed through words unlike in the quantitative methodology where meanings are derived from numbers (Saunders et al., 2003). In discussing the appropriate sample size in qualitative inquiry, Patton (1990) explains that, there are no rules for sample size in qualitative inquiry. He continued that by indicating sample size depends on what you want to know, the purpose of the inquiry, what’s at stake, what will be useful, what will have credibility, and what can be done with available time and resources. This is because under the qualitative approach, the purpose is to obtain contextual understanding of a particular situation which requires rich data and depth understanding, thus the issue of representativeness is less important compared to quantitative study (Bryman and Bell, 2011). Based on this argument, there is no specific guideline to determine sample size in qualitative studies even though researchers in qualitative studies normally use the saturation effect as a rule. However, Guest et al. (2006) suggest that for data collection
using interview, the minimum sample is 12 participants and if the sample is highly homogenous, a sample of 6 interviews would be sufficient to enable a meaningful theme to appear.

Patton (1990) and Coyne (1997) suggest that all sampling in qualitative studies could be broadly regarded as purposeful sampling. This is because researcher purposely selected information-rich cases which could fit into the study (Coyne, 1997). The sample in this study was identified randomly. The interview participants came from by random selecting of SMEs Development Agency’s (KOSGEB) database who are called in advance to explain about interviews and agreed to take part in semi-structured face to face interviews.

This paper is aiming to present results of the analyses of 20 interviews which has conducted with SMEs’ partners-owners in Turkey. The qualitative, semi-structured interviews conducted with the companies from eleven different sectors and all of them have more than ten employees. Total interview length is twenty-two hours and all interviews are recorded. Moreover, transcriptions of the interviews are thematically analysed by using the software NVivo 10.

### Interview Participants

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<th>Interview Number</th>
<th>Interviewee</th>
<th>Sector</th>
<th>Experience In Sector (Years)</th>
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b. Data Collection

A qualitative research attempts to understand the pattern of experience in lives (Dilley, 2000). This is because the perspective of others could be meaningful and able to be made explicit (Patton, 1990). Furthermore, in this study, the use of interviews for data collection is considered appropriate since it reflects the emic approach (inside perspective) in understanding effects of tax morale on tax compliance behaviour in Turkey.

i. Semi-structured Interview

Basically, there are three types of interview conducted in qualitative studies which are structured, semi-structured and the in-depth interviews. These three approaches of interview support different purpose of studies. According to Saunders et al. (2003), a structured interview is more appropriate for a descriptive or explanatory based study while a semi-structured interview is more suitable for exploratory and explanatory based studies. They further argue that the in-depth interview is more useful for studies which are exploratory in nature.

According to Alvesson and Deetz (2000), the semi-structured interview is the most common approach of all qualitative methods. This is probably due to its flexibility (Bryman and Bell, 2011) since even though the researcher has a list of questions and themes to be covered these may vary from one interview to the other (Saunders et al., 2003). It also has the ability to disclose important aspects of human behaviour (Qu and Dumay, 2011) because a semi-structured interview could reveal not only the ‘what’ and ‘how’ but also the ‘why’ (Saunders et al., 2003). Due to this, the researcher chose the semi-structured interview to explain further the factors that have been examined in the questionnaire survey. At the same time, the semi-structured interview was also used to discover any other factors that may influence SMEs.

Randomly selected SMEs who participated in the semi-structured interviews were contacted by telephone by the researcher based on the details provided by KOSGEB to explain about interview. The details provided for 32 SMEs were their name, their telephone number, their sector and their employee number. After agreeing to be interviewed, 20 interviews were conducted between 10 of July 2011 and 31 of August 2012 in Turkey.

Face to face interviewing has many advantages such as witnessing the non-verbal reactions of the interview participants which may be important in interpreting the information (Bryman and Bell, 2011), asking complex questions (Saunders et al., 2003) and creating a trust zone between interviewer and interviewee. Although using face to face interviewing has some drawbacks such as, travelling costs and creating a bias about researcher, the use of face to face interviews in this study is considered as suitable.

On average, each participant was interviewed for approximately one hour. The interviews were conducted in Turkish as a result of being language in common and English is not commonly used in commerce, especially among SMEs. Interviews were recorded using an audiotape recorder after getting the consent from the interview participants. Despite being time consuming to transcribe the recording, by recording the interview, it allowed the researcher to concentrate on the questioning and listening during the interview (Saunders et al., 2003). Furthermore, it also provided an opportunity for a more thorough examination on the information which may lead to more accurate findings (Bryman and Bell, 2011).
During the interview, several questions related to ethics were asked such as what they understood with the meaning of ethics in complying with the tax laws, their opinions on the roles of tax morale and religiosity in tax compliance that can be seen from interview protocol.

To be consistent with the nature of a semi-structured interview, the researcher prepared an interview protocol, consisting of a list of questions based on several themes relevant to the study. The interview protocol became a guideline to the researcher in conducting the interview to ensure it was more systematic and focused on within a subject area (Patton, 1990; Hunter, 2006; Qu and Dumay, 2011). The use of an interview protocol as the ‘guide to the journey’ (Dilley, 2000) also helped the researcher to carefully managing the limited time and resources (Patton, 1990). Since the lack of standardization in a semi-structured interview-based study may result in lack of reliability in its findings, the interview protocol could also be helpful in reducing the reliability issues (Saunders et al., 2003). Despite the themes being determined a priori in the interview protocol, the nature of a semi-structured interview which is flexible (Bryman and Bell, 2011), allows some freedom for other themes to emerge during the interview which is relevant to understanding the tax compliance behaviour of SMEs.

In this study, the data was analyzed using the steps suggested by Braun and Clarke (2006). Basically, there were three main steps involved in the data analysis performed in this study. Firstly, the researcher transcribed the recording into written text. The second phase was the process of coding the data according to described framework, finding related themes and analyzing the themes to check for consistency.

Thematic analysis is the foundation method for qualitative analysis that involves finding repeated patterns of meaning from the data (Braun and Clarke, 2006). It is a method to identify, analyse and report the patterns in the data. Despite the argument that thematic analysis is perceived as ‘anything goes’, thematic analysis is still considered as essential due to its flexibility, easy to apply, able to capture similarities and differences across the data set and could generate unanticipated insights (Braun and Clarke, 2006). Additionally, the data is analysed by using NVivo 10 by using the codes on the framework that explained earlier.

The process of transcribing the recording is the first step in data analysis and important because it reflects how the researcher interprets the data (Bailey, 2008). On average, it took approximately six to eight hours for the researcher to transcribe the recording of each interview. This is because as suggested by Bailey (2008), transcription involves close observation of the data by repeated careful listening to the audiotape.

As the interviews conducted in Turkish, all analysis run in the same language and only results of the analysis has been translated. At the same time when the quotes used, all paragraph or context has been translated into English in order to avoid misconceptualising.

ii. Reliability and Validity
Since there is lack of standardization in semi-structured interviews, the findings may be subject to the issue of reliability. Apart from using an interview protocol to reduce the issue of reliability, the researcher also performed other procedures as suggested by Saunders et al. (2003), Braun and Clarke (2006) and Creswell (2009) to ensure that the findings in this study are reliable. The researcher repeatedly
checked the transcripts to ensure that there was no obvious mistake and compared the transcript against the recording.

Validity in qualitative research is defined as how accurate and reliable the data represent the realities of the interview participants in understanding the social phenomena (LeCompte, 2000; Creswell and Miller, 2000). One common method to determine validity in a qualitative study is to use the ‘member checking procedure’ (Creswell and Miller, 2000; Creswell, 2009). The member checking procedure is considered as establishing the validity of the qualitative studies using the lens of the participant (Creswell and Miller, 2000). It is among the eight primary procedures frequently used to determine validity in qualitative study (Creswell, 2009). The member checking involves requesting the interview participants to confirm the credibility of the information by asking the participants to check the data, whether the themes are correct and the overall information is accurate (Creswell and Miller, 2000). Following the suggestion by Creswell (2009), the researcher requested a two of the participants checked the refined transcript, the themes identified and provided their feedback as a procedure to determine the validity of the findings and all feedbacks received as positive.

5. Findings and discussion

a. Individual Attitudes

i. Political View

Although political opinions is not mentioned directly in the international literature as determinants of tax compliance behaviour, politic trust (Scholz and Pinney, 1995) and political support (Fershtman and Lipatov, 2009) touched as supporting motives. Moreover in the Turkish Literature, it is highlighted that taxpayers tend to reduce their involvement in tax avoidance schemes when the political party that they supported come to the power (Biyan, 2011). Hence, tax compliance framework added political view of taxpayer as a factor under individual attitudes. In order to uncover views of the participants they are asked whether they might be more enthusiastic to comply when the supported political party in the power and the question changed for the condition on nonsupport to less likely to comply. In the contrary of the literature, majority of participants declared their compliance decision is not related with their politic stance. Especially, strong majority refused that they are less likely to comply when the opposite party in charge of the government. They admitted tax law should be obeyed regardless to politics.

_ I do not think change in the politics will change anything in my mind. Today is this party in charge tomorrow will be the others._ Interviewee 2

_ I can talk for myself that political choice is not important for me. Regardless to whichever political view is in charge of the country, we pay our taxes. Things after it are authority’s business, not ours._ Interviewee 17

_ I do not put system of state and politics in the same basket. Some processes are not changing according the politics._ Interviewee 9
We need to be apolitical while we are running our businesses. Interviewee 4

It is spotted that few participants that are declared their support for the current opposition assumed taxpayers who are supporting the government are more likely to comply.

The religious party (AKP) is leading the country hence, I assume, supporters are paying more now. Interviewee 12

Despite the majority, few participants highlighted their willingness to pay taxes increases when they support the government.

I am voting for a party because I want to see them to rule the country. I want to see them being strong and developing my country. That is why I need to shoulder the responsibility and give them my support. Interviewee 19

Of course, you will pay with contentment if your party is in the office. I am talking about my psychology that I would be relaxed. Interviewee 6

Few participants said they might concern that the tax money would be wasted if non-supported party were ruling the country. Consequently, they admitted their willingness might be affected. Majority of them reminded corruption and bank scandals in 1990s as demoralising events for their compliance behaviours.

I believe some former governments wasted the taxes we paid. Additionally, banking scandals, especially those about Cavit Caglar (Former minister who found guilty about corruption in 2001,) make me felt misused as a taxpayer. Interviewee 15

Overall, it appeared that political view is not strongly effective for the participants in their compliance behaviours. Nevertheless, seeing supported political party in the office might be slightly encouraging participant as a result of trust for the party. However, ruled by non-supported political party is seems to be not effective.

ii. Religion

Although religion and religiosity started to be considered as a factor on taxation with Adam Smith, they have recently attracted attention from tax academics with the works of Torgler (2003), McGee (2006), Welch et al. (2005), Stack and Kposowa (2006) and Pope and Mohdali (2010). Literature mostly agreed that the level of religiosity is negatively correlated with level of tax evasion (Torgler, 2007). Consequently, the framework included religion as a factor under individual attitudes part of the analysis.

Participants are asked about whether their religious stance is effective on their tax compliance decisions. The discussion started with understanding the evaluation of participants about involving tax evasion according to their religious beliefs. Considering the fact that twelve participants defined their self as religious, it is expectable to see majority of interviewees acknowledges tax evasion as a misdeed for their religion Islam. Moreover, some of them declared that they considered tax evasion as a sin.
I am not the authority to decide but I understand tax evasion as sin (Haram). Interviewee 2

I think all kind of tax evasions are sin. Nevertheless, I cannot define it as illicit completely, yet it is still a misdeed. Interviewee 9

I clearly define tax evasion as a sin. Interviewee 15

You have the money and you are not giving it to the state. Of course, it is a sin. It is a sin because; we are using common goods. If people are earning, they should pay. In this sense, we can say it is a sin. Interviewee 12

Controversially, some participants raised the importance of tax subject which might affect compliance decision dramatically. They claimed obeying religious rules might make evading taxes necessary when a conflict occurred between them. Therefore, tax evasion might be considered even as a good deed.

If taxes that I pay returning to the people of this country then I must pay taxes. However, if they are wasted, then, for me, paying is committing a sin. Interviewee 20

Objection of tax compliance on taxes about non-religious tax subjects became more distinct especially among religious participants when an example rose about national lottery contribution. In Islam, gambling is defined as sin; naturally, this perception developed an antipathy for national lottery itself. Although there is not an imposed contribution in current Turkish tax system, participants seems to be confusing it with other compulsory contributions such as Broadcast contribution with help of media. Nevertheless, responses are providing different perspective on religiosity and tax compliance relationship. Three participants indicated they would evade or refuse to pay taxes that are against Islamic orders if they obligated.

I do not pay taxes that serve or be collected for non-Islamic purposes. Even gambling, I will not consider giving a kurus (penny). If they force me, I will definitely look for evading opportunities. Interviewee 15

Apart from two views above, some participants stressed tax-related issues should not be associated with religious concerns. Because they think running a business should be separated from religious concerns.

I think... money is nothing to do with religion. If you are working within the small scale then you think with religion. In a bigger scale, religion stays aside because we are all capitalists. Interviewee 10

I do not see paying taxes as a good deed for religion. I think it is a civic duty. It should not be seen as good deed or bad deed. Interviewee 8

Unexpectedly, some religious participants also supported tax evasion is not related with religious perspective as a result of unfair tax system. This opinion is more common on religious participants then others.
Tax evasion might be an illicit if we are talking about fair tax system. Without fairness, there is no need to talk about god deed or bad deed or rights of taxpayers in Islam. (...) I believe we do not have fair tax legislation. Interviewee 17

Some underlined laicism, which is constitutional politic criteria in Turkey, as the reason of separating religious motives from state activities. Therefore, they found affiliating tax issues with religion is inappropriate.

Participants also asked for their opinion about effect of being religious on tax compliance. Majority, including some secular participants admitted that religious people should comply rather easily with the legislation. The reason for that explained by two participants with Islam’s commend on obeying head of state under Islamic rules therefore, obeying tax legislation might be understood as a religious obligation.

Religious people, normally, would wish to comply with the tax system and even pay more taxes if possible. As a religious individual, I am either thinking in that way. Interviewee 15

Religious people, at least, would have a tendency to comply with tax system. Interviewee 12

If you are religious, you should automatically not get involved with tax evasion or avoidance. Interviewee 4

Nevertheless, most of the interviewees added, in reality, religious people are not differing from others. In other words, religious people’s tendency to evade is not different from the rest. Furthermore, few secular participants claimed that religious ones are more likely to evade. They explained this with unapproved position of the state in former years by religious taxpayers because of state’s unsupportive policies for religious people such as scarf ban.

They (religious people) used to have arguments for not to pay taxes. I remember that I someone said; “tax should not be paid to this infidel state”. Interviewee 12

Some religious interviewees also supported non-compliance as an idea. However, their motives are different from the seculars. Some of them highlighted unfairness of the tax system is being a moral obstacle for them to comply with tax system. Moreover, some interviewees claimed moral values and tax burden should be in balance otherwise tax burden is more likely to prevent religious taxpayers to comply.

Our Islamic values and money should be in balance when we are deciding to pay our taxes. I am willing to pay but what happens if the cost is excessive for me. Balance is important but bearable cost with no values means nothing to me. Interviewee 15

To evaluate the religious stance in the sample, participants asked whether they see tax evasion as seizing rightful due of other citizens to reveal their religious position on tax evasion. This question is a similar one with seeing tax evasion as a sin, however terminologically it is referring to a different situation. In Quran, it stated that sins can be forgiven from Allah but seizing a rightful due of an individual can only be forgiven by that individual therefore it is considered as the worst deed that one can
take to afterlife. In other words, the fear of seizing someone’s rightful due is more frightening than committing a sin. To understand the difference, participants asked their opinion on whether evading taxes can be understood as seizing rightful due of others. Improbably, strong majority including most secular participants agreed that tax evasion is seizing a rightful due of others.

*I think evading is definitely is seizing other citizens’ rightful due. Interviewee 3*

*State’s money is poor orphans’ money. We should see it like that. If I believe state is totally rightful then I would say it is seizing other citizens’ rightful due and there is no escape from that. Interviewee 18*

*If you say I am earning money but evading. That is not right and certainly seizing my rightful due. Interviewee 12*

Consequently, views on the rightful due revealed that religion is considerably affective on compliance decisions of the participants in the sample. On the contrary, few participants highlighted that tax issues are not related with religion or seizing a rightful due, hence, they interpreted tax evasion as business arrangement. Unexpectedly, few religious participants questioned state’s religious position and define current state as secular therefore, they concluded, it should not be involved in Islamic interpretations.

*Issue of rightful due is a very sensitive one. If you jump on a bus without buying a ticket or gatecrash the tube this is seizing one’s rightful due. For taxes, I cannot see any relevance. In which part of the tax law is mentioning rightful due or is there any Islamic concerns of this state? Interviewee 11*

*All misdeeds for Islam is legal now in this country; prostitution, gambling etc. If you look trough Islamic frame, it is obvious that there is not rightful due problem. State is responsible here from all. Interviewee 20*

Additionally some participants declared that they see borders of rightful due can only be drawn between the equal parts. Hence, the responsibility of rightful due is not valid as a result of mismanagement in tax system.

**iii. Tax Knowledge**

**1. Understanding tax**

Understanding tax as a term is not always been a concern of taxpayers even though it gives a light on framing tax compliance and how tax has been understood. The interviews are started with investigating perception of term of tax on SMEs directors that asked them to express their “feelings”
about tax when it is mentioned. Although, answers are generally driven from experiences of individuals, they expressed similar sides of taxation such as civic duty, provision of public goods and economic cost as mentioned in the economic theory (James, 2011). The researcher has grouped perceptions of tax on SMEs that are mentioned below.

Civic duty has defined as a concept that people are motivated partially by a concern, by a loyalty, for the wider state or the country by Orviska and Hudson, (2003)in the literature. Additionally, interviewees stressed about civic duty or necessity side of tax primarily before they commended on other general observations. Moreover, some agreed that taxes are the necessity as a result of living in the country or holding a citizenship.

If you are a citizen of this country, tax is an obligation, money, that you need to pay. Interviewee 11

It is necessity, necessity of being a citizen. Interviewee 11

I do not know really, but I think, it can be understood as civic duty. Of course, if we are living in this country, it is our duty. It is our duty starting from Sultan Orhan Gazi (Second ruler of Ottomans, 1281) Interviewee 3

I see tax as a duty of a citizen. Interviewee 8

Although the civic duty approach has mentioned strongly, provision of public goods has also sounded in the literature by many scholars Myles (2000) and Link and Scott. (2011). Supporting that, considerably more respondents are agreed that the taxes should be understood as provision of public goods.

We are financing our individual needs’ right? However, there are some needs of the society which are provided for us all. Without taxes how we are going to pay for them? Interviewee 12

State has provided some opportunities for us which enables to trade such as infrastructure. Because he provided it, he is going to take something else from us. Even if you think state as a company, he has provided some facilities, he has given something else to people right? So there is no way to escape from it. Interviewee 16

It is essential to consider tax as price of public goods and services and as our liability for development of our state. Interviewee 17

Tax, of course it needs to be exist. We need to pay the price of state’s services that is provided. Interviewee 18

Besides from provision approach, tax it has acknowledged as one the main factors that strengthen the state. Especially, patriotic desires of having a powerful and influential state observed which has pushed some participants to compare some considerably wealthier and more powerful states with Turkey.
If state provides some facilities for us, he needs to find a way for financing them... for example as so in every battle troop has its commander, how every solider needs to be achieving their duties under his command. In this occasion, commander is state and soldiers who are obeying his rules are companies, SMEs, manufacturers. Therefore, everyone needs to pay certain amount of taxes and strengthen his state. For instance, Japanese gave an example in one conference that I have attended; “we had strengthened our state first, and then we got powerful”. Countries like us operate vice versa. Okey, that is wrong, my state needs to be strong first. How we can achieve this, only with good governance and money, wealth. ...... You cannot compare American and Somali citizen today. That is why your country needs to be powerful. In order to be powerful you need to have revenue. Arabs are financially stronger but we have not got oil like them. So mainly we need to pay taxes for that. Interviewee 2

Of course, development of this country will be achieved by support of its people... We see taxes as our responsibility, duty to state to solve social problems. And indeed it is returning back to us as services. Interviewee 6

It can be claimed from the quotes of civic duty and provision of public goods perspectives of the interviews SME managers understand positive sides of the tax paying behaviour collectively in one big frame and not distinguish the aspects of it from one to another. Additionally some participants are expressed duty and benefit side of taxes understood together in balance.

I understand duty first when taxes are mentioned. Paying taxes cannot be enjoyable for people but if I can calculate cost of my taxes promptly, paying the rightful amount of the taxes is a good deed actually. In the end, taxes are main reasons that perpetuate existence of this state which provides us our lives. Interviewee 9

If above mentioned aspects of the taxes are grouped as positive approaches, it might not be wrong to claim that these concepts stands across many first impressions of SMEs in the interviews which sees negative sides priory. Considering the fact of compulsory side of the tax paying behaviour it should not be surprising. But what can be unforeseen from the research is some of fearful first impressions of the tax on the eyes of some interviewees.

I don’t know whether it is because of civil servants (tax office) or tax legislation but tax seems as terrifying object behind bars to me. Interviewee 1

First thing borne in my mind is fear, because state stands directly in front of you and taking (taxes) cruelly and without investigating. As a result of luck of trust in government to taxpayers, SMEs; they are not trusting in government too. Interviewee 20

Although the main perception is focused on civic duty, public goods provision and stronger state expectation other participants who are holding a different perspective then main perception on tax are stressed compulsory side of the obligation firstly. Moreover, they stated tax as a burden on SMEs.

I think it is cost. By saying cost, of course it is for everyone not only for this company. Interviewee 8
For me, from the very first day of the SME has started it has two other partners or sharers, the first one is the landlord and the second and the biggest one is the state who has not shares any of the risks. Interviewee 19

Actually we can see tax as a duty but you should not hanker after the amount you gave.... Interviewee 3

Excluding the definitive answers, participants mentioned their own views on some problematic issues on the tax such as fairness, transparency, red tape, high tax rates and indirect taxes.

Above mentioned findings are supported by the research has been conducted on individual taxpayers by Altug et al (2010) and Yilmaz and Seker (2007) in Istanbul. Yilmaz and Seker’s (2007) research revealed that tax reminds Civic duty first to the participants with%31,8 and it followed by obligatory payment with %26,8, provision of public goods %23, racket with %10,8 and cost with %2,6. Apart from these Altug et al (2010) research added injustice with %7,3 and necessity with %2,8. Accordingly, matching findings might be considered as a clue that SMEs do understand their tax duties not different from individual taxpayers.

2. Awareness of Taxes

Awareness of taxes is another aspect which effects the compliance decision and tax morale that suggested in the literature (Mohamad Ali et. al.,2007, Eriksen and Fallan, 1996). Literature points that simplifying tax systems and increase in taxpayers’ knowledge about tax laws, can encourage taxpayers to voluntary comply with their duties (Lewis,1982).

Unlike some other countries, Turkish Revenue Administration (TRA) is not providing any induction or educational programme in advance for their taxpayers although TRA offers some other services to raise an awareness such as online helpline, free booklets and social media announcements. Therefore, SMEs are mainly relying on their tax advisors or common practices of market. Moreover, some participants mentioned lack of adequate support for SMEs.

*Government is not informing us enough about tax. We do not know about our responsibilities. Similar to our family doctors, we should have a counsellor or advisor in the tax office. Do we have one? No. I believe that should exist.* Interviewee 1

To acknowledge SMEs’ responsibilities, a brief summery on main four taxes that SMEs are obligated to pay to government are summarised in the table below.

<table>
<thead>
<tr>
<th>Taxes</th>
<th>Taxation Period</th>
<th>Declaration Time</th>
<th>Payment Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cooperation Tax</td>
<td>A year</td>
<td>Next Year’s April 25th</td>
<td>Next Year’s April 30th</td>
</tr>
<tr>
<td>Advance Tax</td>
<td>A quarter year (3 months)</td>
<td>Following second months’ 14th</td>
<td>Following second months’ 17th</td>
</tr>
<tr>
<td>Value Added Tax</td>
<td>Every month</td>
<td>Following months’ 24th</td>
<td>Following months’ 26th</td>
</tr>
</tbody>
</table>
Apart from mentioned taxes compulsory social security contributions of employers are declared following months’ 23th and to be paid until every next month’s 26th same as Value added tax.

In the interviews participants asked to assess their awareness of taxes. Majority of participants expressed that they are aware of which taxes that they are obliged to pay. Additionally, they emphasized their awareness has arisen through their tax advisers and accountants, depending to their level of tax knowledge.

Yes, I am aware of every tax that I paid. Actually, I am aware of main taxes that I pay for the company, not others (indirect taxes). Interviewee 12

I am trying to be updated and informed. We are getting professional support from our tax advisor. To be honest it is (tax law) changing very frequently, so it is hard to track chances. Interviewee 13

Nevertheless, some participants, even though they are not consisting majority of the sample, seem that they are not confidently aware about their tax duties.

I heard that there are around forty taxes. I know withholding tax return, VAT and cooperation tax. I can add two three more to this list but I cannot say I know about it fully. Interviewee 20

No, I think it is hard to know them deeply. But, I know my received invoice and my invoices, the difference should be paid as cooperation tax. Additionally, I am paying lots of taxes (indirect) as a citizen... Interviewee 14

Awareness of the taxes are examined partially in the Turkish literature by Sarisoy (2008) among SMEs which indicated that SMEs’ tax awareness is not on expected level for efficient tax compliance. Controversially, participants in the research have promoted a different view. Moreover, the participants’ awareness on the different taxes seems to be on different levels. Cooperation tax for instance, appeared to be known confidently with the legislative side among the majority. However, withholding tax seems to be having not understood confidently.

No, I still do not understand what is withholding tax return.. I am asking o my tax advisor about it every time that it came in front of me and he is answering as; it is “don’t ask give” tax. Interviewee 14

Advance tax might be added to this group as well.

We have an advance tax. I have never understood this. Interviewee 2

Furthermore, some participants surprisingly stressed that they did not see withholding tax or VAT as directly effective as cooperation tax. In other words they do not see them as taxes on the company.
Withholding tax from employee, right? You should think that as the money that employee pays. Interviewee 16

VAT, no I do not think VAT as a tax of company. I am collecting that VAT from my sales. Interviewee 9

Few participants stressed, as a result of their sales are export oriented, they are receiving tax rebate from government therefore they are paying their taxes by offsetting their VAT return to other liabilities. The researcher observed that these participants are slightly less aware of their tax liabilities then actual taxpaying participants.

Another point on the awareness of taxes should be pointed on not only about liabilities but also incentives that provided by tax law which has not mentioned widely in tax compliance literature. Some participant raised the idea that they are aware of their liabilities yet they are unaware about tax incentives. That is why this research claims that awareness of taxes should be understood controversially and should be encouraged for SMEs not only deterrence but also on incentive side of tax policy.

Even though it is (tax law) is changing very often and we are struggling track it, we are informed one way or the other. If we have not been informed, government is warning us in a good way or bad way about what we need to pay. But we could be aware of incentives or opportunities that the government provide for SMEs. Interviewee 13

To sum up the awareness of taxes among the participants, it might not be wrong to claim that they have certain amount of awareness on four big taxes they have paid as a company and social security contributions are not be seen different then these taxes. Hence, SMEs are not confident about their tax knowledge and prefer to refer to their tax advisors and accountants in any hesitation. Additionally, they feel they are unaware of their tax regime because of indirect taxes and some other taxes that appear occasionally such as motor vehicle tax and council tax which causes a blurred image of tax system in the minds of SME taxpayers. This is might be counted as regressing factor of tax compliance among SMEs.

iv. Education

Influence of education is discussed in tax compliance literature by many scholars (Roth et al, 1989; Chan, 2000; Kasipillai et al, 2003). Common agreement is explaining education as a factor that affecting tax compliance positively. Especially, Kasipillai et al (2003) found that tax education is decreasing inclination of tax evasion and tax avoidance among individual taxpayers.

Although it asked about education effect to participants, the interviews are not able to reveal any significant relevance between education level and compliance tendency because of its nature an sample size. As in the literature, influence of education aimed to be discovered in the later stages of the research with quantitative research tools. Nevertheless, some participants highlighted lack of tax education as an obstacle for their compliance decisions.
v. Fairness Perception

Fairness perception is one of the core determinants in tax compliance models in the literature (Andreaoni et al., 1998, Kirchler, 2007). Literature agreed that if taxpayer finds the burden of taxes unfair, he or she is more likely to evade. Supporting to that argument Sarisoy (2008) found that Turkish SMEs’ willingness to pay is correlated by their fairness perception. In parallel to literature, the framework represented fairness factor under individual attitudes.

Participants asked about their fairness perception and how do they assess the fairness of the current Turkish tax system. Except one participant who seemed to be neutral, all participants declared their strong belief on unfairness for current tax system. Furthermore, majority of them added they believed they had not been fairly taxed last year. Concurrence of unfairness perception among participants is an unusual position in that level. Besides, fairness perception is comprises %11.7 of all interview transcripts which is the longest node. This might be a proof for the concerns of the participants on unfairness of the current tax system. In addition, participants who see tax system unfair stressed that their willingness to pay the taxes are affected heavily. Moreover, few of them admitted their unfairness perception encourage them to get involve with tax evasion and tax avoidance schemes. Furthermore, they complained about tax authorities attitude that is effecting their fairness perception.

Fairness of taxes in this country seems like a game to me. Imagine that two teams are playing football in a very muddy pitch. They are the companies in the market and there is a man who is the referee and organiser of the game at the same time. When the game starts, referee is beginning to show red cards to players by excusing the mud on their football kits. He is the owner of the pitch and he should grass the base before game starts.

Interviewee 11

The participants revealed some reasons of the unfairness perception. Some main factors of unfairness listed as uneven distribution of the tax burden among social classes, legally unexpected expenses for companies in Turkish tax system, informal economy, heavy burden of indirect taxes (69% of 2012 Tax revenue was collected from indirect taxes), taxing consumption instead of earnings, high tax burden and delay in processing tax returns.

vi. Patriotism

Patriotism is understood as one of the determinants of tax compliance in the literature (Hill, 1894; Roth et al., 1989; Andreoni et al., 1998; Konrad and Qari, 2012). The first recognition for effect of tax compliance came long before compliance literature with Hill (1894) who claimed that increasement of patriotic feelings in war times is accompanying increasement in voluntarily taxpaying. Moreover, Andreoni (1998) asserted more patriotic individuals derive a “warm glow of giving” from their tax payments therefore they are more likely to comply. Additionally, recent researches seem to be supporting this stance. Konrad and Qari (2012) claimed they found a strong evidence robust correlation between patriotism of individuals and tax compliance. Considering the agreement on the literature, the framework includes patriotism as a factor under individual attitudes. Consequently, participants asked whether they feel their level of patriotic feelings is effective on their honestly taxpaying behaviour. In contrast of the literature, majority of participants could not find any relevance between the two in their tax compliance decisions.
I do not think that my patriotism is relevant and I never thought in that way before. In other word, the money that I give is not because of my patriotism. I am paying it for to keep system running. Interviewee 13

Paying or not paying taxes is not relevant with patriotism. Paying right amount of taxes is not the only way to contribute to your nation or society; there are other ways. Interviewee 15

I cannot say patriotic people are more careful and honest in their tax declarations. Interviewee 18

To be honest; when you love me, I will love you back. It must be a reciprocal relationship. Interviewee 19

If I cannot earn my bread in this country, my patriotic feelings not worth a cent to me. I might emigrate to somewhere else. Interviewee 11

Despite the majority, some participants stressed that patriotic people might have a tendency to comply more with tax legislation or even might be more honest.

I think it (patriotism and tax compliance) they are correlated. But patriotism in enough by itself, you should have enough economic power too. Interviewee 6

Additionally, few participants seemed to be prejudiced towards the term of patriotism because of its nationalistic connotations that has commonly used by Nationalist Movement Party. That is why researcher had to explain patriotism as love to the country.

vii. Perception towards Government

Taxpayer perception of current government might be influential on tax compliance behaviour. In the literature, trust in government (Scholz and Pinney, 1995) stressed as a factor for tax compliance. Supporting that perception of the government (Altug et al, 2010) found effective among individual taxpayers in Turkish literature. Consequently, framework has counted perception towards government as an effective factor. Hence, the participants asked whether their views on current government are influencing their tax paying behaviour.

Interviews revealed that participants’ perceptions on state and current government are differentiating and government perception seems to be rather optimistic. Government commonly referred as Justice and Development Party (AKP) and many participants declared their sense of trust to current government is affecting their compliance decisions. Additionally, increasement on the trusts seems to be encouraging them to avoid involving tax avoidance schemes.

I can personally admit that I trust more to current AKP government then former ones. I have some friends like me in the sector. For instance, we used to declare withholding tax for employees and their social security contributions from lower than actual salaries. You can say it was around 40% non-declared but now we are declaring it on actual salaries. Interviewee 13
I feel the state is changing with AKP. I declared my tax more closely to actual in last three years than before. Many of my friends did the same. I think this is a good sign for open support to the government. Interviewee 15

I started to trust government because they started to change my country. Roads, health service are improved. I feel that government gave consequence to me. Therefore I am supporting (tax related issues) them more. Interviewee 19

I changed my mind in last ten years. Because I saw, taxes are returning to us. That is why I am now convinced to pay more. I am willing it as long as he money returning us as services and goods. Interviewee 20

In contrast to common sense on the government, few participants sounded that the change on the government is still slow and they highlighted their concerns about aggressive tax policy, lack of encouragement on tax compliance and red tape.

b. Corporate Behaviour

Although decision making process of SMEs are more likely to be effected by individual attitudes of their owners or partners, they are artificial persons. In other words, their acts are formed trough company’s structure. In the tax compliance frame work, that mentioned before, decision-making process of SMEs are divided into two main layers and later one is grouped as corporate behaviour which indicates factors that consists SMEs’ compliance behaviour. These factors are professionalism, risk preferences, tax advisors effect, company structure, compliance costs and tax complexity.

i. Company structure

Understanding the company structure of SMEs might give a light to dynamics of decision making processes. That is why, participants asked briefly to talk about on their SME’s and their backgrounds, to understand main structural factors of the company which may be effective on tax compliance and tax morale.

It is observed among the sample that fifteen participants described their structure as a “Family Business”. Considering %75 as dominant percentage of the sample, it is necessary to understand the term correctly and to assess whether participants’ intention of defining their selves are as the same with literature driven explanation of family business. In the literature, despite many other definitions, Poza (2007) defines the term comprehensively. He explained it the term as a unique synthesis of ownership control (15 percent or higher) by two or more members of a family or a partnership of families, strategic influence by family members on the management of the firm, concern for family relationship and dream or possibility of continuity across generations. He added that family businesses require keeping owner’s dream of having successful business in the family and continuity of it from generation to generation. Supportively interviewee 10 mentioned his ambition to do so.

For us, for second generations, it is very important to protect and improve our company’s name as it inherited from our father and uncles. Preserving and improving capital, credibility and unstained name of the company is vital for us. Our father taught us in
this way. I would rather die than to hear people say “these sons could not sustain their father’s job.” Interviewee 10

Nevertheless, validity of Poza’s definition to explain what has meant by family business can be arguable considering majority of participants made clear that their intention is limited by family owned business when they mentioned family business term. Despite that, features of family business term can still be enlightening. However, it should be bewared that SME and family businesses are two different terms and cannot be used interchangeably. Additionally, family business might oversize the SMEs’ borders in terms of employee number and turnover.

Another structural feature of the sample realised as motivational visions of the SME owners and partners. Eight of them mentioned their entrepreneurial spirit as their most valuable asset that they dignified. In addition, some participants complained that entrepreneurial spirit is attenuating and among many factors, shouldering a considerably high tax burden is more likely to be an effective one. Moreover, facing with psychological pressure of meeting with tax regulations and high tax bills are stressed as a fear factor of starting business or increasing investment to their companies by participant 17 and 20.

Additionally, it has observed that many participants underlining their passion to their businesses and describing as being a company owner as proud full manner. The reasons for that unexpectedly stressed as not only as making profit but also creating jobs, being useful to society and contributing to country, acquiring merit in god’s side and developing the business.

Owning a company is proud-full manner because I am creating jobs and by doing so I am acquiring merit in Allah’s side. Interviewee 20

Of course, I am not doing this job just for the money. I have money for all my family to the rest of my life. More important thing is to commit a good deed. Conduce someone to earn his bread money and being useful to our family, neighbourhood, and Muslims. Interviewee 17

Not earning much money, or having yachts or houses motivate me. I am with my forty employees personally pedalling this business. I believe we are servicing to the people of this city very well. Interviewee 19

Mentioned motives are understood as main ones that sounded in the interviews not only by whom are defined their selves as religious but also by the others who defined their selves as seculars. This may be linked to values of some participants which some of them summarised as being “Anatolians”. Anatolia refers to a peninsula that is now in Turkey and surrounded by black sea and Mediterranean. Being Anatolian and being immigrated from Anatolian rural areas refer to have different culture than being inhabitants of big cities of such as Istanbul. It is important for many entrepreneurs to keep the value of being Anatolian because this means keeping their own honesty and humbly in their businesses. Considering structure change in the population of Turkey has been impressive from 20% urban and 80% rural to 80% urban and 20% rural since 1980 in last 30 years (Kaya and Sahin, 2007), effect of this immigration can be expected to be felt in many parts of the society. Being Anatolian is also referred to being in experienced in the business environment and being unaware of what necessary procedures because of lack of education.
**I am an craftsman that emigrated from Anatolia. I do not know what are my advantages and disadvantages (in tax area). Interviewee 18**

*They (His father and uncles) emigrated from Konya this city in 1958. So to say, they come to this position by digging with their nails from apprenticeship. Interviewee 13*

*You know, my family is not coming from trade. We entered to this sector but we suffered a lot. We have learned how to trade with great pain and tax man was not very helpful. Interviewee 7*

### ii. Professionalism

Professionalism is another aspect that affects the tax morale behaviour in the framework and it has mentioned in the literature by Pope (1994) McCulloch (1992), Boucher (1991) and many others before. Although they have approached professionalism as lack of organizational structure, the participants has been asked what do they understand about professionalism and whether they can define their company as a professional one. Majority of participants has underlined main aspects of professionalism such as, having every transaction under record, easily traceable assets, less emotion involved management, obtaining and implementing professional accounting standards, employing high skill workers, team work and having an automatic system that organizes company.

*I do understand professional company as a company that has certain rules and records, has determined it is borders and responsibilities. Interviewee 12*

*I understand professionalism a system, determined system runs perfectly. Interviewee 14*

*In professional companies, you can track every stock, every sale are recorded, emotions are generally comes secondly. I do not think my company is like that. We are trying to get there. But, as I said, we are a family business and it is harder to get there in family businesses. Interviewee 13*

Understandably, above mentioned aspects can be understood as the features that SMEs in the sample are concerned in their structure. Therefore, it is not surprising to see eighteen of all participants are not defining their SMEs as not professional one.

*I cannot define this company as a professional one. Hence, 80% - 90% of all companies in the Turkey are not professional for me. They are all a person dependent companies or family businesses. I think this is related to our traditional family structure. Father leave I to their son and it goes on. For my company I can say we are 60% professional (Laughing). After all I am the last decision maker and my employees cannot sell anything without my advice and can but stock up to a certain amount. Interviewee 20*

*I cannot say we are professional company, because we are a family business. Interviewee 9*

Nevertheless, some participants are declared being or trying to be a professional SME as their major goal. Moreover, this seems as a way to develop the company and make it sustainable for many
participants. Additionally, some participants narrowed being professional company to conditions of not to operate in shadow economy and having reliable bookkeeping. Furthermore, some of them stressed their professionalization intentions starts by the inspection probability increasement and institutional changes in Turkish revenue administration after 2006 although they frame the term as only keeping the true records and declaring it. This might be an evidence to show influence of the state on SMEs’ behavior to direct them to comply and improving their managerial ability.

I understood the need of professionalism after my tax adviser told me about its importance and I saw the change in seriousness of the state. After then, I started to change my mind. In the past, nobody told me anything about it, maybe they do not know the importance either. I have reshaped my company since then. Everything is under my control now, invoices, stocks etc.. To be honest, I felt relaxed. I might be paying more taxes but I am at ease now. Interviewee 19

Another participant stressed that being a professional SME is one way to be in charge of the company and some others agreed that becoming professional SME might increase their tax bill howbeit, they are pleased with the new condition. Considering this fact, being professional can be understood as a tax compliance process therefore professionalism costs might be considered as compliance costs in SMEs.

Your business is pulling you to be a professional one. You should be professional and pay your taxes otherwise you will get swindled by your employee, or someone will stole it, so you cannot be in charge of your company. Result; you will be bankrupted. It is like sitting on uncontrolled power. If I knew it is a good thing, I would have been trying to be a professional ten years ago. I had not got that conscience before. Nobody advised it to us. They told me “Are you crazy, you cannot afford to pay that tax bill if you declare everything.”. I had thought recording everything would bankrupt me. That is why I postponed it. But now, if I pay %5 extra to the state, I have prevented unseen expenses up to %10. Interviewee 19

Controversially, some participants understood the term more than keeping records robustly and acknowledged it as employing professional manager who priorities profit. They approached to professionalism with a different view. They claimed that professionalism might damage their amateur spirit that gives them entrepreneurial flexibility. That is why they found professionalism rather harmful to their SMEs. However, they emphasised importance of being professional in their production processes.

To condense SMEs’ view on professionalism, despite the participants see the professionalism slightly different from accepted meaning of it in the literature, majority of them tries to develop their company’s operating systems to more efficient and traceable. Although, they accept developing heir system will provide them a better ability to control, they acknowledge that this will more than probable to increase their tax bill.
1. Should SMEs be Favoured?

Apart from professionalism approach, participants asked to define their structural weakness in the market by facing “Why SMEs should be favoured?” question. This question which has widely discussed in the literature by Freedman (2003) expected to reveal structural weaknesses or needs that might prevent SMEs to comply with Tax system. Freedman (2003) discussed market failure, compliance costs, bearing cost of lost in return to tax and creating positive externalities such as increasing employment as reasons for SME incentivising policies. Majority of participants seem to be sharing the same point of view with the literature by expressing their needs accordingly. Although, there are some reasons raised for why SMEs should be favoured in the literature, some participants mentioned their inability to affect political decision making unlike large companies. Therefore, they feel that they should be considered more in political decisions.

However, SMEs seem to be concerned about not utilising existing incentives which might be a result of unawareness of existing opportunities. Moreover, participants seem to be addressing government to solve the problem.

*On the incentives and opportunities side, we felt that we are unaware of many opportunities. Government needs to brief us more.* Interviewee 13

*Being a SME is not easy in Turkey. It is like, maybe it is rude but, being a peasant under government. I fell everyone is oppressing SMEs.* Interviewee 11

Additionally some participants raised red tape as an obstacle, which is preventing them to apply for the incentives.

*I think I am not going to get incentives even if I applied for them. I think they will postpone my request. I think they will give me song and dance (Laughing). I applied once they asked too many documents then I waived.* Interviewee 14

Moreover, some participants admitted government’s attitude towards SMEs has changed positively in last six years with the current government. Nevertheless, despite the government’s intention to support SMEs, the goal is not yet to be achieved, because they claimed government is not familiar with environment of the SMEs.

Controversially some participants suggested government support is not needed for SMEs. Raised reason for that is probability to crate unfair competition, which can affect efficiency in the market unfavourably.

*State should analyse incentive policies critically. I personally do not think it is in favour of SMEs. For instance, we are trying to merge with some other same size SMEs to reduce or costs. It is not effective for us to be a small company.* Interviewee 13

In addition, some interviewees claimed they only need a fair tax system and keep every company in the legal zone rather than incentives in their sector while some others finding VAT burden high.
iii. Risk Preferences

In the framework, risk preferences of SMEs are considered as a factor which shapes corporate behavior towards tax compliance. In the literature, from the beginning of the tax compliance discussions (Allingham and Sandmo, 1972) risk preferences underlined as an influential factor of tax compliance decision. Although it has appeared under different definitions such as, risk aversion (Torgler, 2007), audit probability (Cronshaw and Alm, 1995) and probability of detection (Andreoni, 1996) which are approximately referring same concept which is possibility of being caught from unreported income. In this research, participants asked about their risk preferences to understand their prediction of tax inspection possibility of their SMEs. Moreover their psychology in inspection process is also asked them to understand possible motivations behind their risk preferences.

Majority of the participants admitted they have not inspected in last three years. Moreover, some participants declared they have not experienced any tax inspection before. Nevertheless, four participants agreed that they are inspected in last three years. Considering the audit rate is %2.42 among all active taxpayers for 2011 according to TRA’s annual report, sample mean appeared above average.

Participants asked about their perceptions on possibility of facing an audit in next three years. Majority of them admitted that it might happen any time. Moreover, they assessed next years’ probability is higher than previous years as a result of improvements in the TRA’s policy on tax inspection.

*Inspection mechanisms are improved spectacularly. They used to come and check our accounts in person. Now they are using any devices and opportunities that they can find.*

*Interviewee 18*

Until 10.07.2011, tax inspections in Turkey were performed by four different groups of civil servants namely, Finance Inspectors, Tax Inspectors, Revenue Controllers and Tax Auditors, who work within Ministry of Finance. In 2011 with new legislation, tax inspection board has established and merged four groups under it which brought single handed policy application on tax inspection. This improvement might be one of the reasons of change of risk preferences of participants.

Contradictory, other participants seem fairly confident that their SMEs would not be a subject of audit as result of increasement in their declared amount of tax. They feel that if they declare more taxes comparatively to previous years this can prevent them from the attention of TRA.

*I do no think we will be inspected. We are paying reasonable amount of taxes.*

*Interviewee 16*

*When I look at tax inspection issue, I understood it as fruit growing. If the government and I are happy with the amount of the apples that I give to them, this would bring controversial contentment. We have always been careful to satisfy our government and we believe tax should be given. To achieve that, we have our measures and we are not falling below that limit even though we went in to red. Hence, we can set our own standards.*

*Interviewee 1*
Supportive to this argument many participants claimed they are agreed to increase their declared tax to reduce their inspection probability with support of their tax advisers even if they made loss in the declaration period.

Even if our turnover or profit is decreased we tent to keep our tax at least as same as last year’s. There is a belief among SMEs that if you start with one and increase to three in the second year third year you should keep it at least three again not two. That might attract attention. Interviewee 4

I tend to increase tax a little just to stay in the grey zone. Interviewee 13

It might be wrong to claim the motivation behind the unnecessary tax bill increasement is solely to avoid cost of inspection but also to prevent distractions from government such as demoralization and red tape. On the other side of the argument, two participants stressed they kept their unexpected profit undeclared in past years for not to offend the eyes of TRA. Considering these facts, it might not wrong to say participants are trying to avoid being an outlier in with their declared tax in their sectors. Therefore, risk preferences might lead not solely to compliance but in some cases also encourage tax avoidance and tax evasion.

At the time that I started my business, I earned very much from one project. But it was one-off thing. I asked my accountant whether to declare it or not. He said “never mind, next year if you cannot declare same amount, they will come over you. Be logical, stay in the middle lane”. Interviewee 14

Additionally some participants underlined that they would not be inspected because they are not operating in shadow economy and keeping their books correctly. This statement shows tax inspection is mainly associated with tax evaders in the views of majority of the participants.

Tax inspection psychology appeared to be another major concern of the participants. General belief about tax inspection process among the majority is to be certainly finalized with tax penalty. There are two perceptions emerged generally from the interviews about tax inspectors. One view indicates tax inspector can impose tax penalty even if there is no imperfection in the books and fulfillment of responsibilities of SMEs.

Once tax inspector visited you, he or she will definitely impose a tax penalty. Even if you do not have anything wrong in your books, he can write a penalty letter if he wanted. Interviewee 13

Second view believes that it is not possible to produce a perfect record in the eyes of inspectors as a result of complex legislation; therefore tax inspector might act according to his or her ethical stance. Furthermore, second view underlined complexity of tax system is a factor that makes tax legislation impossible to comply with. Moreover, some participants stressed their education and experience is not supporting them to understand tax liabilities comprehensively, therefore they cannot check their tax advisors and accountants for their mistakes.
Nevertheless, first view is considerably dominant among participants who have experienced tax inspection. They found tax inspection as an annoying process particularly because of inspectors’ attitudes. Some of participants believe tax inspectors are prejudiced and see taxpayers as tax evaders.

_The mentality of tax inspectors is different. They see you as thieves._ Interviewee 18

_Tax man, tax inspector etc. They are all in favor of imposing tax penalty. (…) This deters me from complying, paying taxes._ Interviewee 12

Some of participants underlined that they only find tax inspectors’ behaviors irritating rather than tax inspection itself. They admitted tax inspection can be an opportunity to find their mistakes in their records and make them to see clear picture of their companies. Hence, they welcome being under constructive and corrective inspection which might make them more efficient if it is organized with positive approach similar to other inspections that SMEs have been subject of such as quality certificate audits.

Some participants told amount of tax penalty might be decided more dominantly with the view of tax inspector, although it is limited by tax legislation.

_I listened from one of my friend’s phone while it was on hands free mode. He said (tax inspector) ”I can write whatever amount on this (tax penalty) paper that I wish without coming to your company. I have the authority”. We used to fear from police, but now tax inspectors replaced them._ Interviewee 2

Interviewee 20 admitted that he irritated heavily during tax inspection by an inspector in 1995 which made him thought to close his business permanently. He continued that he took an action and fortunately other inspectors realized the situation and convinced him not to do so. This is considerably shocking effect of understanding risk in tax compliance and will be discussed under fairness perception part of the paper.

Additionally they feel that tax inspectors do not understand the nature of their businesses and sectors and judging them overweeningly. Few participants raised that tax inspection used be used as a thread for companies in last decades for political pressure on different political classes. Hence, reputation of fair tax inspection and inspector has damaged. In addition participants stressed that tax penalties are intimidating and few of them underlined they faced with some tax penalties that they hardly shouldered.

Despite many negative features of tax inspection process mentioned in the interviews such as fair inspection that mentioned in the interviews, majority of interviewees agreed the situation is improving and prejudice of tax authority is easing. However, they admitted the process is fairly slow.

To conclude risk preferences, it can be understood that SMEs are seeing inspection probability as a manageable risk and probability of caught seems to be fairly low for them. Therefore it can be understood that risk preferences is not properly encouraging for tax compliance. Nevertheless, situation is changing with new approaches of government. Although probability of getting caught is low, intimidating tax penalties and negative impression of TRA are creating compliance effect on SMEs.
iv. Tax Advisor’s Effect

Tax advisors considered as an effective figure on SME’s tax compliance decisions and importance of them mentioned in the literature (Jackson and Milliron, 1986; Richardson and Sawyer 2001). Studies suggest that tax advisors can act as advocates to their clients and also as an intermediary to the government (Tan and Sawyer, 2003; Tomasic and Pentony, 1991). Moreover, as a result of complexity of tax legislation, tax advisors might become an enforcer or exploiter of the tax law (Klepper and Nagin, 1989). In addition, according to Turkish tax system books every company must be kept by a tax advisor (Certified Public Accountant) or in supervision of him or her. Some corporate taxpayers might seek an advice from Sworn in Certified Public Accountant (CPA) to audit their books and clear their position in front of tax law. In some cases, Sworn in Certified Public Accountant might be compulsory such as declaration of export tax rebate. Therefore, it can be assumed that tax advisors effect is vital to understand SMEs tax compliance behaviour and tax morale stance in Turkey.

In the interviews, participants firstly asked about their trust to their tax advisors. It appeared that majority of SMEs have assuring relationship with their tax advisors. Some of them underlined the importance of tax advisor in their corporate lives as their “confidant”. Furthermore, participant twelve indicated he had decided his tax advisor before he started their company.

Consequently, twelve participants appeared that they are working with their tax advisors from starting date of company or more than ten years. Distributive table of participants on trust can be seen in the table below.

<table>
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<th>Interviewee Number</th>
<th>Sector</th>
<th>Experience In Sector (Years)</th>
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<th>Years with current CPA</th>
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Reasons for genuine trust to tax advisers are also asked to participants. Some indicated their trust based on their personal relationships with their tax advisors.

*Of course, I trust him. We gave our sister to him. Interviewee 6*

Apart from personal reasons, other participants agreed they have chosen their tax advisers with a reference of their trusted ones. Thus, prior criteria for choosing tax advisers revealed as trust rather than other specialities of the service. Participant fourteen underlined necessity of trust as condition because of the risk that comes with unique access of tax advisors to SME’s records and awareness of SME’s activities in informal economy.

*Nobody changes an accountant (CPA) because of poor service. Change can only be exceptional because of significant mistake or very big harm to the company because of accountant’s behavior. I did not seek a high quality accountant when I started my company. I asked about their accountant to my trusted friends. It must be through an advice, reference. Because, after some time, he or she knows everything about you; your system, off record activities everything. Interviewee 15*

Additionally, it is understood that trust factor is creating interdependency between SMEs and CPAs in Turkey. Considering the fact that CPAs are not responsible from their bookkeeping by Turkish tax law, risk of sharing knowledge about SME’s activities in informal economy might be a reason for long lasting relationships. In addition, it is sounded that tax advisors who used worked for Turkish Revenue Administration are building better confidence on SMEs than who have not.

Nevertheless, some interviewees admitted they could not build confidence with their CPAs. Although they are not the majority in the sample, motives of mistrust pointed mostly negative experiences of former CPAs and disorganized services. However, same participants are underlined common quality of tax advisor services are advancing as a result of improvements in the legislation and growing attention of Turkish revenue administration on CPAs. Additionally, participants also acknowledge increasing number of technical trainings organised by chambers of CPA as contribution in this manner.

Participants asked about their tax advisors’ intermediary position in tax compliance behaviour to understand their propensities between SMEs and state. Interviews underlined three stances of tax advisors that are favouring state, favouring taxpayer, and being neutral. Among these, being a neutral intermediary appeared to be slightly more common then favouring sides of tax compliance. Unexpectedly, few participants highlighted favouring state in tax declarations as common stance of their tax advisors. Avoiding tax inspection, fear of making mistakes in book keeping, and being uncertain about tax procedures reminded as motives of the behaviour by participants.

*My accountant (CPA) is statist. He thinks paying few more liras is better instead of to be called in. Even for a long time he did not show my own car (used for business) in*
company accounts while others are writing their son’s car expenses in their books.

Interviewee 3

On the other hand, some participants admitted that they are in search of tax avoidance schemes with the advice of their CPAs. However, quality of received tax service is found unsatisfactory by most of them. Many of participants mentioned they have faced with tax penalty had to pay it because of their CPA’s mistakes at least once. Furthermore, some participants said they are directing their advisors on many occasions. Nevertheless, they found tax advisors useful to deal with tax office and revenue administration requirements when it is needed.

Participants asked about their tax advisors ability to arrange their tax bills. Majority has admitted they are capable to arrange payable tax amount with their CPAs. Although some of them believed that their CPAs can only increase the tax bill.

*I think he might reduce my tax bill up to %10. Not more than that. Otherwise it can be illegal.*  
Interviewee 12

*We are arranging our tax bill (Corporation Tax) according to our financial situation with my CPA.*  
Interviewee 15

*I do not think that he can reduce my taxes. He can increase it if he made some mistakes in accounting processes.*  
Interviewee 8

Participants additionally asked about how would they benefit from better tax advice. Responses are different between participants who consulted from CTAs and sworn in CTAs. Interviewees who are working with the Sworn in CPAs are declared their confidence with their tax advisors. Justification of this conscious might be the result of acknowledged liability and responsibility of sworn in CPAs by legislation. Additionally, reputation of sworn in CPA recognised as advanced tax advice therefore, these tax advisers are more likely to comply with the legislation and satisfy their clients according to participants. Consequently, these participants are thinking they are not in need of better tax advice. Some of them indicated that better tax advice than current sworn in CPA would be more costly and unnecessary.

For participants who are working with CPAs are concerned that cost of better tax advice overweight its benefits therefore it is not logical. Surprisingly, their expectation from better tax advice not refers to tax avoidance however; they expect organised and tidy records which would provide them a better picture of their SMEs. Few participants declared that they could afford better tax advisor however trusting a new partner appears as an obstacle for them. In addition, majority of them stressed they would be informed about more incentive opportunities of the state if they had a better tax advisor.

Apart from tax advisors, some participants tent to seek advice from their trusted colleagues who are generally older and more experienced. This advice can be counted, as tax advice despite it is more concerned about processes and relationships rather than tax legislation or technicalities.

v. Compliance Costs

Compliance costs of SMEs presented in the framework that affects company’s behaviour on tax compliance and tax morale. Moreover, compliance costs also are considered influential factor on tax
compliance decision in the literature by many scholars (Freedman, 2009; Hasseldine et al 2001; Coleman and Evans, 2003 ). Therefore, some scholars defined compliance costs as the costs of conforming to the mandatory requirements of a tax regime involving the preparation and submission of tax returns in accordance with the relevant tax laws in force in a country. In other words they are costs associated with the number of hours spent in preparing tax returns, administrative expenses, and any money spent on the procurement of the services of tax professionals (Sandford, 1989; Blumenthal and Slemrod, 1992; Coleman and Evans, 2003). For the brief consideration this definition can be considered satisfying. Unfortunately, for our knowledge, neither Turkish litterateur nor Turkish revenue administration identified and determined the compliance costs so far in the SMEs. Consequently, awareness of compliance costs is considerably lower in Turkey than some other OECD countries according to OECD report (OECD, 2010).

According to explanations participants asked about their view on compliance costs and how do they considered it. Supporting the OECD report, their awareness on compliance costs seem to be lower. In other words, their association of their costs which they have made to comply with tax law is not evaluated collectively. Majority of them admitted they have not considered these costs with compliance frame before.

I have never thought these costs (Tax advisor cost) in that way before. Interviewee 10

We were not thinking tax advisor, bookkeeping costs etc in that way, but we realised compliance cost recently. Interviewee 19

These participants who are not aware of the costs are also added approximate value of these costs are lower than 1‰ of their turnover. Thus awareness level of compliance costs might be correlated with total value of compliance costs.

Other participants insisted compliance costs should not be understood as additional burden because of their managerial benefits.

Tax is also about knowing our business. For instance, am I keeping my books just for paying taxes? No, I want to see my position. Even if state tells us, I am no longer taxing you, I would still bear these costs. Interviewee 15

I do not see them as harmful cost. My personnel who are obligated to keep books and arrange tax duties are also benefiting me on many other subjects. They are increasing my efficiency and quality. Thus, I see them as useful costs and they are not bothering me. Interviewee 9

Nevertheless, compliance costs understood from different perspective which are not loudly sounded in the literature. Two participants stressed financing taxes are heavily affecting their compliance cost burden rather than other costs. Their intention on financing taxes are mainly focused on paying VAT which is due following month’s 26th from invoice date. Unfortunately, average due state of invoices vary between two to four months in many sectors. Thus, SMEs with lack of enough capital are generally suffering paying their taxes on due time.
Additionally, procedural difficulties to solve tax problems with the Turkish Tax Administration is also mentioned in compliance costs such as reaching authorized tax office on duty or solving any problem without dealing further paper work.

They (TRA) put my 100 TL of tax to the enforcement. For some reason I have forgotten it. I do not remember anybody reminded me. I went there to pay the amount. I realized they put enforcement annotation on three of my cars which is worth 90,000 TL. They sent me to 2 different enforcement offices to release the commitment first. I paid 90TL to each. Then I came back and paid my tax depth. It costs me half a day which means more than ten times the amount I owe. I understand they can run enforcement but why not on one car but three. Although, one single reminder would suffice to make me pay happily. Interviewee 4

In addition, it is observed that SMEs with high operation densities are feeling compliance costs more then the others in the sample. Moreover, it is observed that participants with accountant and management backgrounds are more aware on compliance costs.

At the end of the compliance costs part of the interviews participants asked to assess approximate percentage of their compliance costs in their turnover. Majority of participants are commented that their costs are lover then 1% but not lower than 1‰ of their annual turnover. While three others claimed that it might be more than %1 but not more than %5. Only four of them told that they might be lover then 1‰. Obviously these cannot be counted as reliable observations considering majority of participants are not able to understand compliance costs concept. Yet still they might be a view for future research.

vi. Tax Complexity

Tax legislation is generally complained because of its massiveness and complicated nature by taxpayers. Supporting that, the literature has agreed tax complexity as a factor that influences tax compliance negatively (Slemrod et al, 2001; Kirchler, 2007; Webley, 2010). Furthermore, the framework counted tax complexity as an effective factor in the corporate behavior side. Therefore, participants asked about their views on tax system’s complexity and how does it affect their compliance decisions.

Although majority of participants found tax system complex, unexpectedly, nine of interviewees declared that they did not find the tax system confusing. However some of them added number of the taxes paid individually is making tax system complex. In other words SME tax regime is not found ambiguous.

For the taxes that I pay for my company are not confusing for me. However, our indirect taxes are far too much. I cannot claim that I know every tax that I am obligated to pay individually. Interviewee 12

We are aware of our taxes; we do not know other taxes. Interviewee 5

Some participants underlined that tax system is complicated and they do not understand it as a result of extensive variety in taxes for SMEs. Few participants stressed they found particular taxes confusing such as withholding tax return and advance tax.
It is like a father with fifteen children and cannot remember their names. Lay two or three taxes so we can understand and pay it consciously. Interviewee 19

Very few interviewees admitted that they found it complex because they have not been educated to understand it. Moreover, they told that they have not received any additional education for this purpose which they think should be a responsibility of Tax Revenue Administration for taxpayers.

I certainly do not think that I understand tax system. Nobody even bothered to gather us and give some information about our responsibilities. Interviewee 20

Another reason raised for complexity is frequency in the change of tax legislation. There are some reasons highlighted to explain frequency of change in the interviews. Firstly, it is claimed that chances are covers for government’s fiscal needs therefore, they are understood as misused policy reflections.

In the crisis time they (government) laid a tax, in earthquake they did the same. Whenever they needed money, first thing borne in their minds is to lay another tax. I honestly understand some taxes after I paid them. Interviewee 19

Secondly, few participants asserted changes are aiming more efficient tax system however, bureaucrats who are designing and deciding the changes are not familiar with business environment therefore, the intention is not meeting with the goal but yet creating additional problems.

Our bureaucrats are working to make it (tax system) better, but they are not in the businesses and people. Moreover, they do not ask to related people. That is why they do not what is particularly needed. It is Turkey, first do thing then patch it. Interviewee 9

Despite some dominant negative views on problem of tax complexity, couple of interviewees indicate that they are optimistic about solute of the problem as a result of recent improvements such as electronic developments and internet based tax offices.

Although the framework has categorised tax complexity in corporate behaviour side, after interviews it is understood that it is more closely related with tax knowledge and it should be merged and analysed under tax knowledge of individual attitudes side of the analysis.

Conclusion Remarks
This paper is provided a concise picture of background research and then presented a framework and modifies it according to results of the analyses of the interviews. Additionally, it has a significance to be one of the first papers to touch on the SMEs’ tax morale in tax compliance literature by explaining effective factors of it individually. In addition, it discovered, in contrary of the literature, that patriotism and tax complexity is not effectively influencing the decision of SMEs in the sample. On the other hand perception towards government and religion found considerably effective on compliance decision. Nevertheless, these findings should be tested through other methods to prove their consistency and validity in bigger scale.
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