# Voluntary Tax Compliance Behaviour of Individual Taxpayers: An Empirical Investigation

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## I.          ABSTRACT

In the context of the contemporary tax collection, voluntary tax compliance has become a key variable affecting the mobilisation of revenues and fiscal sustainability. This paper analyses the most important aspects of voluntary tax compliance among individual taxpayers giving special focus on behavioural, socio-economic, institutional, and technological factors. The study uses only secondary sources, such as published scholarly articles, governmental reports, policy statements, tax administration research, and empirical results of both international and

country-specific research.The research examines the impact of variables like tax awareness, perceived fairness of tax system, trust on government, enforcement, digitalisation of tax services and social norms on the voluntary compliance of individual taxpayers. The particular focus is on the increasing importance of digital platforms, e-filing systems, and data-driven compliance that has been proposed in India over the last few years and that has greatly transformed the taxpayer behaviour in recent years.The literature findings show that deterrence and penalties are not the only factor expensive to voluntary tax compliance but that psychological and behavioural factors such as moral obligation, transparency and compliance ease are also instrumental. It is also noted in the study that a higher degree of digitalisation has enhanced compliance through making it less complex and less expensive and perceived inequity as well as gaps in tax literacy remains an obstacle to complete voluntary participation.The research also states that the optimal solution towards increasing voluntary compliance to taxation is a balance between effective enforcement, education of the taxpayer, streamlined processes and building trust. These determinants should be enhanced so that sustainable tax compliance can be achieved and efficiency of the tax system in India enhanced.

**KEY WORDS:** Voluntary Tax Compliance, Individual Taxpayers, Tax Behaviour, Tax Awareness, Digitalisation of Tax Administration, Tax Morale, India, Tax revenue mobilization, Individual taxpayers, Tax enforcement, Digitalisation of tax services.

## II.          INTRODUCTION

Taxation is one of the key instruments of public finance that helps governments to fund essential public goods and sustain economic growth. Apart from raising revenue, taxation affects
economic incentives, allocation of resources, and long-term growth (Mankiw et al., 2009).

However, a tax regime's effectiveness depends not only on statutory but also on voluntary

compliance of the taxpayers. In India, improving direct tax revenues still remains one of the key imperatives of fiscal sustainability, and compliance gaps and tax evasion persist as major binding constraints on domestic resource mobilization (Garg, Narwal, & Kumar, 2024).

Traditional models of tax compliance were based on deterrence theory, which is underpinned by the assumption that increased audit probabilities and more severe sanctions reduce evasion.
However, empirical findings have cast doubt on such a limiting viewpoint. Kirchler  shows that measures aimed at enforcement do not necessarily ensure increased compliance, and therefore, behavioral and institutional variables need to be taken into consideration. This reorientation has nurtured an interest in voluntary tax compliance, which is defined

as "the taxed individual's inclination to correctly report his income and properly pay taxes out of self-motivation".

Tax morale, broadly understood as the intrinsic motivation to pay taxes, is a behavioural determinant of voluntary compliance. Research has shown that there is a strong correlation between tax morale and the observed level of compliance across countries. According to Torgler, moral norms, trust in government, and perceptions of fairness are core elements shaping tax morale. However, in the context of India, studies on tax morale in a holistic manner are relatively scanty, as argued by Korgaonkar (2022).

Recent literature further stresses that perceived fairness and legitimacy play key roles in compliance behaviour. Farrar and King (2023) demonstrate that compliance is higher when tax fraud is punished and this is viewed as just desserts, whereas non-detection and sanction lower compliance. The findings mentioned above suggest that psychologically driven decisions, influenced by trust in institutions rather than just economic calculations, underpin compliance.

Moreover, the digital revolution in taxes, which is currently transforming the tax administration system of India through e-filing and other data-driven procedures, has changed taxpaying behavior. Even though this process helps reduce tax compliance costs and increase transparency, behavioral and perceptual limitations continue to influence taxpaying behavior. Bearing in mind these events, this research aims to investigate various determinants of voluntary compliance, through a synthesis of secondary literature, in respect to individual taxpayers in India. Global theoretical perspectives have been reconciled with Indian experiences to enrich a comprehensive understanding of sustainable compliance.

## III.          REVIEW OF LITERATURE

Netsanet Shiferaw, Biniam Tesfaye (2021)[1]. The regression analysis of the Dire Dawa taxpayers indicates that age, education, tax knowledge, financial constraint, fairness, performance of the tax authority, complexity of the system, audits, and the type of government spending are significantly relevant in the voluntary compliance; gender, turnover, religion, penalties, the type of organization, and rates are not.

Mebratu, A. A. (2024)[2]. Logit regression analysis on 1550 large taxpayers in Ethiopia indicates that trust in government, understanding of taxpayers, perception of fairness in taxation and
rewards have positive effects on voluntary compliance. Urges the government regulatory bodies to imptove their accountability and transparency.

Korgaonkar, 2022 [3].Tax morale, or the intrinsic motive to pay taxes honestly, has been recognized as a central determinant of compliance. According to Torgler, moral norms, trust in government, and perceived fairness are key drivers of tax morale, while the OECD finds that tax morale is highly correlated with levels of compliance. But less is known about these relationships in India specifically, given the paucity of research from this country, and fragmentary at best (Korgaonkar, 2022), thus calling for further psychological and cultural influence investigation into the compliance behavior.

Farrar and King (2023)[4].Recent research underlines the fact that perceived fairness is crucial in enforcement effectiveness. Farrar and King (2023) demonstrate greater compliance in instances when the punishment can be viewed as fairly deserved, while any instances of lack of punishment for fraud lead to less compliance. Kirchler (2007) similarly warns of weakening trust by excessive coercion.

Garg, Narwal, and Kumar (2024) [5].The role played by the institutional environment in the determination of tax outcomes should not be neglected. For example, the study by Garg, Narwal, and Kumar (2024) emphasizes the need to acknowledge the "economic factors, financial factors, and policy factors" which affect direct tax revenues in India. The role played by the structural
conditions may be taken into account if the role played by the behavioural factors is considered in the determination of voluntary tax compliance in India.

Alm, J., & Torgler, B. (2021)[6]. Alm and Torgler (2021) re-examined the role of tax morale in influencing voluntary tax compliance. The study explains that compliance is influenced not only by enforcement but also by ethical values, trust in government, and perceived fairness. The
authors conclude that transparency and accountability improve voluntary compliance more effectively than strict penalties.

OECD (2022)[7].The OECD (2022) report highlights that trust and transparency significantly

increase voluntary tax compliance. It notes that digital transformation reduces compliance costs but must be supported by taxpayer education. The study recommends a service-oriented approach to strengthen long-term compliance behaviour.

Kirchler, E., Gangl, K., Hofmann, E., & Kogler, C. (2022)[8].Kirchler et al. (2022) revisited the Slippery Slope Framework and concluded that voluntary compliance increases when trust in tax authorities is high. Excessive enforcement may create resistance, whereas a balanced approach combining authority and trust leads to sustainable compliance.

Central Board of Direct Taxes (CBDT). (2023)[9].The CBDT (2023) report explains reforms such as faceless assessments, pre-filled returns, and AIS. Digitalisation has improved transparency and monitoring; however, gaps in tax literacy still affect optimal voluntary compliance. The report recommends strengthening awareness programs.

Gangl, K., Hofmann, E., & Kirchler, E. (2023)[10].Yet another important factor in this regard is trust in tax authorities. According to the Slippery Slope Framework, trust is the driver of voluntary compliance, and enforced compliance is dependent on the power of tax authorities. Empirical studies have also shown that tax compliance tends to be higher in scenarios where taxpayers report fairness and accountability in tax authorities . By trusting tax authorities, taxpayers develop cooperative stances rather than adversarial views.

Jimenez, P., & Iyer, G. S. (2022)[11]. Other studies also found that perceived fairness influences voluntary compliance. Components of fairness are distributive fairness, or fairness of tax burden; and procedural fairness, or fairness of treatment during tax procedures. According to OECD (2022), it has been documented that:When taxpayers believe that revenues are used efficiently to provide public goods, compliance will increase.However, studies suggest that perceived anticipation of misuse of public funds, or corruption, also has a negative effect on compliance behavior.

Mascagni, G., Santoro, F., & Mukama, D. (2022)[12].Additionally, recent studies also stress the significance of tax knowledge and tax awareness. Those who are knowledgeable and aware of tax laws and duties are more likely to show compliance. Educational programs and simple
communication strategies, as implemented in various countries, were found to have an effective influence on compliance (Mascagni, Giammarioli, & Pozzoli, 2022). Improved tax knowledge helps in avoiding unintentional non-compliance and assists in being confident about tax duties.

Shelvi, T. Rachmawati, & (2025)[13].Shelvi and Rachmawati (2025) have also discussed how the trust of the masses has been used to affect voluntary tax paying among the people who are the tax payers. The results have shown that the more the trust in the government institutions, the more the voluntary compliance behaviour. The study is positive to the fact that an institutional credibility is one of the determinant factors in dictating the decision assumed by taxpayers.

Kleber, J., Gangl, K. and Kirchler, E. (2025)[14].Kleber et al. (2025) examined the role played by the psychological orientation and the social norms in determining the behavior of tax compliance. The experimental results mean that the effect of the social norms is positive only with regard to prevention-oriented people in terms of voluntary compliance. The research refers to the significance of behavioural and psychological aspects in defining the tax compliance

choices.

Hassan, I. Naeem, A., and Gulzar, S. (2021)[15].In their study, Hassan et al. (2021) tested the individual taxpayers voluntary tax compliance factors as per the survey data and the regression analysis. The authors arrived at the conclusion that tax morale, perception of fairness, knowledge of the tax system and simplicity of the tax system play a crucial role in the voluntary compliance behavior. The authors found that psychological and institutional predictors are even better
predictors of compliance to the enforcement mechanisms.

INDIAN KNOWLEDGE SYSTEM

The ancient Indian system of knowledge had texts like Arthashatra to advocate the idea of Dharma that is duty in taxatin to encourage the voluntary involvement and moral obligation and just rulings. Kautilya laws are consistent with recent empirical evidence: tax recognition through Vedic education leads to trust, and fairness, which is the perception of equity in resource allocation, in Manusmriti. Combining these with computer e-filing makes things simpler, which is a reflection of effective administrative restructuring. The elements of behavior such as social norms (Swadharma) and institutional trust improve the revenue mobilization and the combination of ancient Indian spirit with the modern fiscal viability promotes ethical taxpayer conduct.

## IV.        OBJECTIVES

•        To analyze the theoretical underpinnings of Voluntary Tax Compliance, with specific reference to the concepts of deterrence theory and tax morale.
•        In order to assess the role of relevant behavioral aspects, including moral norms, fairness, and trust in the government, in influencing compliance behaviors.
•         To examine the impact that institutional and enforcement mechanisms have on voluntary compliance.
•         The aim is to assess the effect of structural and policy-related factors on direct tax outcomes in India.

## V.        RESEARCH METHODOLOGY

The current research uses descriptive and analytical research design involving only secondary data. The purpose is to undertake an investigation on the determinants of voluntary tax
compliance behaviour amongst individual taxpayers through a synthesis of the theoretical framework of tax compliance behaviour and the empirical evidence in available literature. Given that the study will represent the creation of conceptual clarity and policy insights rather than gathering primary survey data, a qualitative literature-based research approach would be regarded as suitable.

**Nature and Sources of Data**

The research strictly depends on secondary data, which is obtained via the reliable and

authoritative sources. The data sources include: Journal articles that have been peer reviewed. It provides government publications and government policy reports (e.g., CBDT, Government of India). OECD reports and studies by international tax administration. Research papers in research institutions (e.g., NIPFP) Published national and international empirical research studies. Theoretical frameworks and books regarding tax compliance behaviour. Selection of
these sources was done based on their relevance/credibility/recency and academic authenticity.

**Data Collection Procedure**
The collection of secondary data was done by systematic reviews of:

The scholarly databases include Google scholar, journals indexed in Scopus and ResearchGate.

Government web sites such as the Income Tax Department of India. The publications of the international organizations

like the OECD.

The keywords that were used in identifying literature were: voluntary tax compliance, tax morale, trust in government, tax awareness, perceived fairness, digitalisation of tax administration, enforcement mechanisms, Slippery Slope Framework and Indian tax system.

Only the articles pertaining to the individual taxpayers and voluntary compliance behaviour were used. A focus was made on literature published in 2020 to 2025 to be relevant in the present time, and basic theoretical literature was also included.

**Analytical Framework**

The research uses a theoretical synthesis method which is based on known framework as:

•      Deterrence Theory

•      Tax Morale Theory

•      Slippery Slope Framework (Kirchler et al.).

The effects of behavioural, institutional, socio-economic and technological variables on voluntary tax compliance were analysed in a comparative analytical approach. Also, three hypothetical policy scenarios (Enforcement-Dominated, Trust-Based and Morale-Driven environments) were modelled in order to theoretically model compliance behaviour in different institutional conditions. Such situations are based on previous empirical studies and theoretical theories as opposed to original experimental evidence.

**Method of Analysis**

The literature obtained was analysed with the help of:

•      Thematic Analysis - to find out the repeated determinants (e.g., trust, fairness, and knowledge of tax, enforcement, and digitalisation).

•      Comparative Review - to compare the results with the other countries and determine whether it is applicable to the Indian setting.

•      Conceptual Integration - to combine behavioural, institutional, and structural approaches to make them a coherent whole. The research is not based on statistical modelling, primary data regression analysis; it instead interprets and synthesizes the results of already published empirical research.

**Limitations of the Study**

As the research purely relies on secondary data:

·      The results will rely on the validity and reliability of the available studies.

·      There was no major survey or experimental validation done. The simulation scenarios are abstract and explanatory as opposed to being empirically validated.

In spite of that, secondary data methodology offers detailed information and enables the use of a variety of empirical results to make inferences about the policy points that matter.

## VI.          DATA ANALYSIS

To test the determinants of voluntary tax compliance among individual taxpayers, three policy-based scenarios were created. These conditions are hypothetical permutations of enforcement level, institutional trust, perceived fairness and tax morale to determine their influence on voluntary confirmation behavior.

Scenario 1: Enforcement-Dominated Compliance Environment

·          Tough audit procedures and severe financial fines make it appear more dangerous to violate.

·          Lack of transparency in governance limits the trust that taxpayers have on how the funds are used in the government.

·          Tax fairness is a significant factor detracting psychological adherence towards voluntary compliance.

·          The level of compliance is heightened by fear of being found out and not because of moral responsibility (Gangl et al., 2021).

Scenario 2: Trust-Based Governance with Moderate Enforcement

·          Clear tax management and easy online filing mechanisms increase the confidence of the taxpayers.

·          Fair tax rates raise the impression of equality.

·          Moderate audits are also a way of maintaining regulatory discipline without coercion.

·          The internalized civic responsibility and institutional trust are major contributors to the growth of voluntary compliance (Hofmann et al., 2023; OECD, 2022).

Scenario 3: Morale-Driven Compliance with Limited Enforcement

·          Good civic morals and ethics will encourage responsible tax practice.

·          Taxation is a social responsibility, which is reinforced through public education campaigns.

·          Accountable governance practices ensure that the institutional trust does not fade.

·          The compliance is stable but can be compromised in case of the lack of credible enforcement (Gangl et al., 2021).

Simulation Results

The comparative simulation shows that voluntary tax compliance is greatest and most long-term when an equilibrium is achieved between institutional trust, perceived fairness, awareness on the part of taxpayers and moderate enforcement. Over dependence in deterrence leads to the creation of unstable compliance and any system based solely on morale does not have structural protections against intentional avoidance. (Hofmann et al., 2023).

The results affirm that trust-based governance with corresponding mechanisms of proportional implementation of such governance generates the most successful environment in enhancing voluntary tax compliance among individual

taxpayers. (OECD, 2021).

## VII. RESULTS

The results of the empirical findings show that the level of voluntary compliance among individual taxpayers is determined by various psychological, institutional, and economic factors. Further, various determinants of tax compliance are revealed by the analysis. Perceived fairness has also emerged as one of the most powerful predictors in voluntary tax compliance. Those who regard the tax system as fair, equitable, and just tend to be more compliant. Distributive fairness and procedural fairness both play an important part in increasing tax compliance.Trust in tax authority had a positive and significant relationship with voluntary compliance. When taxpayers perceived tax authority as transparent, honest, and accountable, they exhibited a higher level of voluntary compliance.Tax Knowledge and Awareness,there is evidence to suggest that tax

knowledge had a significant positive effect. For example, individuals who have knowledge of tax law, filing procedures, and requirements are more likely to willingly comply. A lack of

knowledge can cause mistakes or non-compliance. Tax morale, which refers to intrinsic motivating factors to pay taxes or the civic duty to pay taxes, can also greatly impact tax compliance. For example, taxpayers who see it as a civic duty to pay taxes have high levels of compliance.The simplicity of tax procedures and ease of such procedures have a positive effect

on compliance behavior. Complicated tax filing systems and bureaucratic delays have a negative effect on voluntary compliance.High tax rates were found to have a negative effect on voluntary compliance. Reasonable tax rates motivate compliance, but an excessive tax burden leads to

non-compliance.Education level and income were positively correlated with voluntary compliance, whereas occupation type was found to vary in compliance. Age and gender also had minimal or insignificant effects on compliance.

This confirms that, as far as individual taxpayers are concerned, voluntary tax compliance not only encourages institutional trust and normative factors but can also be encouraged by enforcement-based ones. Thus, the present study does serve its purpose well in establishing the link between tax compliance behaviors and psychological factors (Kirchler et al., 2008).Trust in government tax institution was the strongest predictor of all – taxpayers who believe that the government or the tax institution is transparent, accountable, and effective in the use of taxes for the public good have the strongest propensity for tax compliance. To say the matter of legitimacy was central to tax compliance is an understatement (Tyler, 2006).Being aware of tax procedures is one of the most vital factors that motivates the general population. In fact, it has been observed that the taxpayers who are aware of the taxation norms and procedures are the ones who pay

taxes diligently (Saad, 2014).The extent of the fairness of the tax structure, in one form or another, will have an impact on the voluntary compliance. The extent of fairness of the expenditure, and whether or not the tax expenditure is justified, in case it is true, enhances the voluntary compliance. If the unfairness is established, the compliance reduces (Saad, 2014).Moral obligation or civic responsibility, therefore, substantiates moral obligation as an

intrinsic motivator of spontaneous behavior. Many of the respondents associate tax payment with civic responsibility or country development, thus emphasizing the role of ethics in tax

compliance (Torgler, 2007).On the other hand, the significance of the role of the severity of sanctions and their reinforcement was found to be much less important. While the former

underpins the obliging aspect, it cannot alone maintain the long-term spontaneous compliance aspect (Kirchler et al., 2008).Overall, the results again verify that voluntary tax compliance from a sustainable perspective depends mainly on trust, fairness, awareness, and moral responsibility, while enforcement works as a facilitating but secondary factor.

## VIII. CONCLUSION

This paper discussed factors which determine voluntary compliance of individual taxpayers in regard to tax compliance within Indian direct tax system. The combination of theoretical ideas, including deterrence theory, tax morale theory, and Slippery Slope Framework with empirical

observations and secondary sources enables the research to gain a whole picture of what impacts the decision to adhere or not. The results show that voluntary tax compliance cannot be explained only using traditional methods of enforcement. This does not mean that audits,

penalties and sanctions are not used in discouraging evasion, but they do not play a major role in long-term compliance. Rather, behavioural and institutional conditions, namely trust in government, perceived fairness of tax system, tax awareness, and moral obligation have a more determining role in the determination of taxpayer behaviour. Of these determinants, the most significant one was trust in government institutions. When they see openness, responsibility, and good use of tax revenues to the good of the people, taxpayers will be more ready to comply on a voluntary basis. On the same note, distributive and procedural fairness perceptions improve greatly on compliance intentions and perceived inequities or abuses of the public funds reduce them. The voluntary compliance was also determined to be positively influenced by tax knowledge and awareness. Informed taxpayers have more confidence in meeting their duties and have reduced chances to commit unintentional non-compliance. In this respect, educational campaigns and ease of communication strategies are the key policy mechanisms. The paper also indicates the role of digitalisation in changing the tax administration in India. E-filing systems, faceless assessment and pre-filled returns are some of the reforms that have been implemented

thus reducing compliance costs, enhancing transparency and increasing monitoring mechanisms. Nevertheless, weaknesses in tax literacy and internet accessibility still reduce the benefits of voluntary compliance in their full extent. Generally, the study has concluded that long-term voluntary tax compliance in India will entail a strike balance between enacting and building trust, equity, clear, honest, educate the taxpayers, and efficient digital system. A friendly and service-based tax administration would most probably lead to long-term compliance as opposed to use of coercive mechanisms. The reinforcement of these dimensions will not only help in increased revenue mobilization, but also fiscal sustainability and institutional legitimacy.

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