

**Psychological determinants of tax evasion:  
From representations of taxes to the perception of justice and valuation of income**

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Starting with a summary of studies on representations of taxes and attitudes towards tax evasion in Austria, and studies on the perception of justice and threat of freedom, this presentation focuses on the individual evaluation of income and reluctance to pay taxes.

It is argued that working hard for one's own income should lead to higher valuation of the salary and – according to source dependence theory – people should be more reluctant to paying taxes out of their pockets than people with low work effort. While “classical” sunk costs theory yields in similar predictions, according to the theory of a “reverse” sunk cost effect and considerations on aspiration levels or break even points, the opposite should be true. The fear of losing the whole income after possible tax audits and sanctions and therefore the feeling of having worked for nothing, should prevent people from evading taxes. These contradicting hypotheses were tested in an experimental labor market for architects. The results contradict assumptions deriving from source dependence theory and support the “reverse” sunk cost effect.