

# Study examines tax compliance behavior in small business owners

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A new *Applied Psychology* study examines the ethical behaviours of small business owners in terms of tax compliance versus avoidance, and how internalised values and external punishment may come into play.

When researchers surveyed 330 owners or part-owners of micro-business in the UK, they found that internalised and extrinsic motivation have distinct predictors. Internalised motivation is related to strong personal moral norms to comply and a sense that the fiscal system is fair. Extrinsic motivation is related to perceptions that penalties are severe, that checks are likely, and is associated with a perceived lack of tax knowledge.

The investigators also found that, when considered together, internalised motivation but not extrinsic motivation predicts self-reported tax compliance. In addition, the presence of extrinsic motivation—although only at very high levels—may crowd out the positive effect of internalised [motivation](#).

**More information:** Diana Onu et al, The Dynamics of Internalised and Extrinsic Motivation in the Ethical Decision-Making of Small Business Owners, *Applied Psychology* (2018). [DOI: 10.1111/apps.12151](https://doi.org/10.1111/apps.12151)

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