

Fiscal Legitimacy and Institutional Trust: Sociological Mechanisms of Corporate Tax Compliance in Romania

Elena-Raluca Popescu

Doctoral School of Philosophy, Sociology and Political Science, West University of Timișoara, Timișoara, Romania
Email: elena.popescu85@e-uvv.ro

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Abstract

This study examines the sociological mechanisms through which fiscal legitimacy and institutional trust influence corporate tax compliance behaviour in Romania. Drawing on quantitative survey data from 162 companies and semi-structured interviews with corporate decision-makers, the research reveals a fundamental paradox: while tax compliance rates are relatively high among large and medium-sized firms, this compliance is predominantly externally imposed through coercive mechanisms such as surveillance, sanctions, and pressures from banks and business partners, rather than being rooted in internalised fiscal norms or institutional legitimacy. The findings indicate that 37.1% of respondents perceive tax law enforcement as inconsistent, 58% lack confidence in the use of tax revenues, and 56.8% view the tax system as unfair. This erosion of procedural and distributive legitimacy undermines the fiscal social contract and transforms compliance into a defensive strategy that is vulnerable in the long term. The study contributes to fiscal sociology by demonstrating that, in the absence of legitimacy, intensified control produces formal but unsustainable compliance. It advocates for the reconstruction of institutional trust as the foundation of a viable tax system.

Keywords

Fiscal Legitimacy, Institutional Trust, Tax Compliance, Fiscal Sociology, Romania

1. Introduction

Tax evasion represents a significant challenge to many national economies, including Romania's. It encompasses various economic activities that are not rec-

orded in official accounts, either due to deliberate attempts to avoid taxes and regulations or because of their informal or illegal nature (Schneider & Williams, 2013). Romania ranks first in the European Union in terms of tax evasion. While estimates vary, available figures indicate annual losses of more than EUR 16 billion, including around EUR 8-9 billion in value-added tax (VAT) revenues, or approximately EUR 502 per second (ANAF, 2021). Tax evasion has multiple negative effects on the Romanian economy and society. On one hand, it leads to a reduction in state budget revenues, which can result in decreased public investment, reduced social services, and diminished state capacity to respond to crisis situations (European Commission, 2025). On the other hand, tax evasion creates an imbalance in competition between law-abiding firms and those that do not comply. Companies that do not pay taxes have a competitive advantage over those that do, enabling them to cope more easily with crises or difficult situations (OECD, 2019). Tax evasion can also have a negative impact on societal morality. It can lead to a decline in trust in state institutions and an increase in corruption (Torgler & Schneider, 2009). The mechanisms driving tax evasion can be classified into two main categories: economic mechanisms, which refer to the economic advantages obtained by individuals or firms that do not pay taxes; and sociological mechanisms which concern the social factors that can influence the behaviour of individuals or firms regarding tax payment (Alm & Torgler, 2011).

This study focuses primarily on the sociological mechanisms of tax evasion, with particular emphasis on fiscal legitimacy and institutional trust as determinants of taxpayer behaviour. A better understanding of these mechanisms could contribute to the development of more effective policies to combat this phenomenon, with significant benefits for both the economy and society (Levi, 1988; Tyler, 1990).

Tax evasion is a complex sociological problem, reflecting not merely individual economic decisions but broader social dynamics, cultural norms, and institutional relationships. Unlike purely economic or legal analyses, a sociological perspective on tax evasion reveals how social structures, cultural expectations, and collective beliefs influence individual and group behaviours regarding tax compliance (Martin et al., 2009). Tax compliance is strongly influenced by social norms, the unwritten rules within a society about what is considered acceptable behaviour. For example, in societies where tax evasion is normalised or perceived as a minor transgression, individuals are more likely to engage in such practices without facing significant social repercussions (Cummings et al., 2009). This “contagion effect” is common in communities where tax avoidance is part of everyday conversation, affecting individual decisions through peer influence and social acceptance of the phenomenon. Public trust in government institutions also plays a crucial role in fiscal behaviour. From a sociological perspective, when people perceive tax authorities and government as fair, transparent, and beneficial to society, they are more likely to comply voluntarily (Kirchler et al., 2008). Conversely, low trust can

lead to feelings of disconnection, with individuals justifying evasion as a way to counter perceived injustices or inefficiencies in governance. Exploring tax evasion from this perspective highlights the link between fiscal behaviour and citizens' beliefs about institutional legitimacy (Tyler, 2006).

In Romania, this issue has become particularly relevant in the context of the economic transition over the past 30 years, regional inequalities, and fluctuating public perceptions regarding government legitimacy. Tax evasion undermines public revenues and compromises the provision of essential services, amplifying inequalities and contributing to public distrust (Braithwaite, 2009). Understanding the relationship between fiscal legitimacy, institutional trust, and tax compliance behaviour is therefore critical for developing sustainable fiscal policy in Romania.

2. Theoretical Framework: Fiscal Sociology and Institutional Legitimacy

2.1. Foundations of Fiscal Sociology

Fiscal sociology is a specialised field that examines the relationships between taxation, state power, and social cohesion. Unlike purely economic perspectives, which frame tax compliance as a rational choice based on cost-benefit calculations, fiscal sociology emphasises the role of social norms, institutional legitimacy, and collective obligations in shaping fiscal behaviour (Campbell, 1993; Schumpeter, 1991). Fundamental theories in fiscal sociology emphasise that taxation is not merely a financial transaction, but an act embedded in social relations, reflecting public trust in the state and its commitment to collective welfare. This approach aligns with Joseph Schumpeter's (1991) view of taxation as essential to state formation and legitimacy, and with Norbert Elias's concept of "civilising processes" (Elias et al., 2000), which explores how the development of states and social norms can shape compliance through a combination of moral and civic expectations.

Rudolf Goldscheid, known as the "father" of fiscal sociology, introduced the concept of "Finanzsoziologie" (fiscal sociology) and emphasised that the financial structure of the state reflects and influences social relations (Goldscheid, 1958). He argued that taxation and public finance are essential instruments through which the state exercises power, redistributes resources, and regulates economic and social interactions between social classes.

Joseph Schumpeter, in his work "The Crisis of the Tax State" (Schumpeter, 1991), developed an analysis of how taxation contributes to state formation and stability. He argued that fiscal crises can reveal structural tensions within a society and that how the state manages these crises can determine its political and economic evolution. Schumpeter maintained that the modern fiscal state is built on the idea of contractualism, an implicit agreement between citizens and the state, where citizens pay taxes in exchange for protection and services provided by the

state.

2.2. Institutional Legitimacy: Procedural and Distributive Dimensions

From the perspective of fiscal sociology, institutional legitimacy plays a central role in explaining voluntary tax compliance. Legitimacy can be conceptualised along two main dimensions: procedural legitimacy and distributive legitimacy (Tyler, 1990, 2006).

Procedural legitimacy refers to taxpayers' perceptions of the fairness, consistency, and impartiality of the processes through which the state applies tax legislation. When taxpayers believe that rules are applied uniformly and consistently, without discrimination or arbitrariness, they tend to recognise the state's authority as legitimate (Levi, 1988). Conversely, the perception of inconsistent application, where some firms or sectors are treated differently from others, undermines procedural legitimacy and erodes willingness for voluntary compliance.

Distributive legitimacy concerns perceptions of the fairness of outcomes produced by the tax system that is, the extent to which collected revenues are administered responsibly and whether the tax burden is distributed in a manner perceived as fair. This dimension represents a pillar of the implicit fiscal contract between state and taxpayers, where acceptance of tax payment depends not only on legal constraints but also on the perception of functional reciprocity (contributions versus public goods and services) and the existence of credible fiscal justice (Feld & Frey, 2007).

The literature consistently emphasises that these two dimensions of legitimacy are interdependent and mutually reinforcing. When both the processes and outcomes of the tax system are perceived as fair, tax compliance becomes more stable and less dependent on external coercive mechanisms. Conversely, the erosion of legitimacy, whether procedural or distributive, leads to decreased voluntary compliance and the development of defensive strategies in relation to fiscal obligations (Gangl et al., 2015).

2.3. Institutional Trust and Tax Compliance Dynamics

Trust in institutions, particularly in tax administration and government as a whole, represents a central pillar of voluntary tax compliance. From a sociological perspective, institutional trust refers to taxpayers' belief that authorities are honest, competent, and act in the public interest. When corporate actors perceive tax authorities and government as fair, transparent, and efficient, they develop a sense of loyalty and cooperation toward the state, manifested through the timely voluntary payment of taxes (Murphy, 2004).

Empirically, numerous studies have found a positive association between the level of trust in government and the degree of tax compliance (Scholz & Lubell, 1998; Torgler, 2007). The "slippery slope" framework proposed by Kirchler et al. (2008) clearly demonstrates the relationship between trust and compliance. Ac-

According to this model, high trust in authorities leads to voluntary compliance (taxpayers willingly pay when they respect and appreciate institutions), while low trust necessitates enforced compliance through coercive measures and control.

The erosion of trust in institutions has profoundly negative effects on fiscal behaviour. In a context of low trust, taxpayers may develop feelings of alienation toward the state and even resentment. They come to perceive their relationship with the tax system as an antagonistic game, justifying evasion as a way to counter perceived injustices, inequities, or governance inefficiencies. Thus, tax fraud becomes, in the eyes of some, excusable, an act of self-defence against a state perceived as abusive or incompetent (Alm, 2012).

In Romania's case, the recent history of post-communist transition has been accompanied by low levels of institutional trust and widespread perception of corruption in the public sector. These socio-political realities have fuelled a culture of mutual suspicion between taxpayers and the state, creating fertile ground for fiscal non-compliance. Therefore, regaining trust becomes a prerequisite for improving compliance (Cyan et al., 2016). Based on this framework, we hypothesise that:

H1: Higher levels of perceived procedural legitimacy (consistency in tax law enforcement) are positively associated with corporate tax compliance.

H2: Higher levels of distributive legitimacy (trust in revenue use and perceived fairness) are positively associated with corporate tax compliance.

H3: Institutional legitimacy mediates the relationship between institutional trust and voluntary tax compliance behaviour.

3. Research Methodology

This research employs a mixed-methods approach combining quantitative survey data with qualitative semi-structured interviews to investigate corporate tax compliance behaviour in Romania from a sociological perspective. The methodology is grounded in fiscal sociology, which examines the complex relationships between the state, taxpayers, and social norms regarding taxation (Creswell & Plano Clark, 2018).

The core of the study is a structured survey administered to company representatives across diverse industries and regions of Romania. The survey was designed to capture attitudes and motivations related to tax compliance, perceptions of fiscal obligations and evasion, and experiences with the tax system. The questionnaire explored sector-specific and region-specific practices and habits related to tax compliance, with emphasis on attitudes toward tax evasion and perceived level of social influence; trust in institutions and institutional efficiency in using tax revenues; and the impact of fiscal policies.

This study examines compliance through attitudinal indicators rather than direct compliance rates. The primary measure assessed whether compliance is fear-based versus normatively-based: "My company's tax compliance is primarily due to fear of penalties or audits" (5-point Likert scale). Additional indicators included perceived evasion frequency in the industry and normative support for compli-

ance. The term “declared compliance” refers to these compliance attitudes and motivations, capturing whether firms comply because they “want to” versus “have to” (Kirchler et al., 2008).

To explore in detail the sociological mechanisms identified in the quantitative analysis, the research was complemented by a series of semi-structured interviews with a selected group of survey respondents. The interviews allowed for deeper exploration of individual and company-level motivations, highlighting internal factors that influence compliance decisions. Additionally, interviews provided detailed perspectives on trust in institutions and perceptions regarding the use of tax revenues (Braun & Clarke, 2006).

3.1. Sample and Data Collection

The research sample comprises 162 companies operating in Romania, representing diverse economic sectors and geographic regions. The distribution by company size is presented in **Table 1**.

Table 1. Sample distribution by company size (N = 162).

Company size	Number	Percentage
Micro-enterprises (0 - 9 employees)	94	58.0%
Small enterprises (10 - 49 employees)	47	29.0%
Medium enterprises (50 - 249 employees)	11	6.8%
Large enterprises (250+ employees)	10	6.2%
Total	162	100.0%

Firms were recruited through a multi-stage sampling procedure. The sampling frame was constructed from the Romanian National Trade Register, stratified by firm size (micro, small, medium, large) and primary economic sector (manufacturing, services, trade, construction). Within each stratum, firms were randomly selected and contacted via email and telephone between March and June 2023. Inclusion criteria required firms to have been operational for at least two years and to have filed tax returns in the previous fiscal year. The response rate was 24% (162 of 675 firms). As participation was voluntary, the sample likely reflects self-selection toward firms with more formalised accounting and stronger compliance, with smaller informal or poorly compliant firms underrepresented. This structure reflects the reality of the Romanian economy, where micro-enterprises constitute the overwhelming majority of the economic fabric. This distribution allows for differentiated analysis of compliance mechanisms based on the firm’s structural position in the economic field. The sectoral distribution included construction (18.5%), retail (22.2%), manufacturing (15.4%), technology (12.3%), finance (8.6%), and other industries (23.0%).

For the qualitative component, 15 semi-structured interviews were conducted with corporate decision-makers (CEOs, CFOs, and compliance officers) until the-

matic saturation was reached. Interviews were conducted between March and June 2025, lasted 45 - 90 minutes, and were recorded and transcribed verbatim with participants' consent. Interviewees were purposively selected from survey respondents to capture variation in firm size and sector. We invited participants from each size category (3 micro, 4 small, 3 medium, and 2 large firms) and from diverse sectors (manufacturing, retail, professional services, and construction). Selection also prioritised firms that indicated willingness to participate in follow-up research.

3.2. Data Analysis

Quantitative data were analysed using descriptive statistics, correlation analyses, and multiple regression modelling. An institutional legitimacy index (0 - 6 scale) was constructed by aggregating three indicators: procedural legitimacy (consistency of tax law enforcement), trust in revenue use, and perceived fairness of the tax system. Internal consistency was assessed using Cronbach's alpha ($\alpha = 0.74$), indicating acceptable reliability.

Qualitative data were analysed using thematic analysis following Braun and Clarke's (2006) six-phase framework: familiarisation with data, generating initial codes, searching for themes, reviewing themes, defining and naming themes, and producing the report. NVivo software was used to assist with coding and theme organisation. The analysis identified recurring patterns of meaning in relation to research objectives and the theoretical framework.

4. Results: Fiscal Legitimacy and Institutional Trust in Romania

4.1. Procedural Legitimacy: Perceptions of Enforcement Consistency

Procedural legitimacy, understood as taxpayers' perceptions of the fairness, consistency, and impartiality of processes through which the state applies tax legislation, is a critical determinant of tax compliance. Respondents were asked to what extent they believe tax legislation is applied uniformly and consistently in Romania. The distribution of responses indicates a deeply problematic structure from the perspective of institutional legitimacy (see Table 2 and Figure 1).

Table 2. Distribution of perceptions of tax law enforcement consistency (N = 162).

Perception of tax law enforcement consistency	N	%
Very inconsistent	21	13.0
Inconsistent	39	24.1
Neutral/Undecided	47	29.0
Consistent	42	25.9
Very consistent	13	8.0
Total	162	100.0

Note: Cumulative inconsistent perceptions (very inconsistent + inconsistent) = 37.1%; cumulative consistent perceptions = 33.9%. Correlation between perceived inconsistency and declared compliance: $r = -0.34$, $p < 0.01$, 95% CI $[-0.48, -0.18]$.

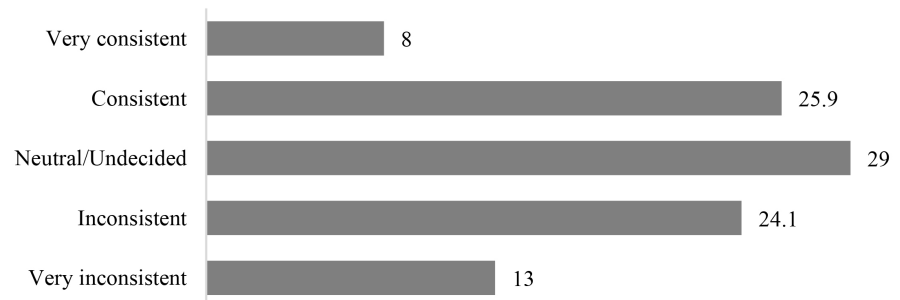


Figure 1. Visual summary of perceived consistency in tax law enforcement.

The distribution indicates that the segment of respondents who perceive tax law enforcement as inconsistent (37.1%) exceeds those who perceive consistency (33.9%). The neutral zone (29.0%) is also relevant, as it suggests a state of institutional uncertainty and normative ambiguity. In sociological terms, this combination (inconsistency + high neutrality) describes an institutional climate in which predictability and procedural trust are weakened, and adaptive behaviours (including “grey zone” strategies) become more plausible and easier to justify (Wenzel, 2002).

The correlation analysis reveals that as respondents perceive tax law enforcement as more inconsistent and arbitrary, the level of declared compliance tends to be lower ($r = -0.34$, $p < 0.01$). This moderate-strength association supports the hypothesis that procedures perceived as uncertain and unequal are associated with reduced fiscal cooperation and lower probability of voluntary compliance. Interview insights reinforce this finding, with one manager stating:

“In construction, if you don’t accept the grey zone, you exit the market. Everyone knows that”. (Manager, Construction)

4.2. Distributive Legitimacy: Trust in Revenue Use and System Fairness

Distributive legitimacy concerns the fairness of outcomes produced by the tax system—the extent to which collected revenues are administered responsibly and whether the tax burden is distributed fairly. The distribution of responses indicates a high level of institutional scepticism (see Table 3 and Figure 2).

Cumulatively, 58.0% of respondents declare no trust or low trust in the efficient use of tax revenues, while only 30.3% express some form of trust (moderate or complete). This configuration suggests that for a significant portion of the business environment, tax payment is perceived within an incomplete or deteriorated social exchange: fiscal contribution is felt as a unilateral requirement, without clear guarantees regarding its conversion into relevant public goods (Braithwaite,

2003).

Table 3. Distribution of trust levels in the use of tax revenues (N = 162).

Level of trust in use of tax revenues	N	%
No trust	41	25.3
Low trust	53	32.7
Neutral	19	11.7
Moderate trust	40	24.7
Complete trust	9	5.6
Total	162	100.0

Note: Cumulative distrust (no trust + low trust) = 58.0%; cumulative trust (moderate + complete) = 30.3%.

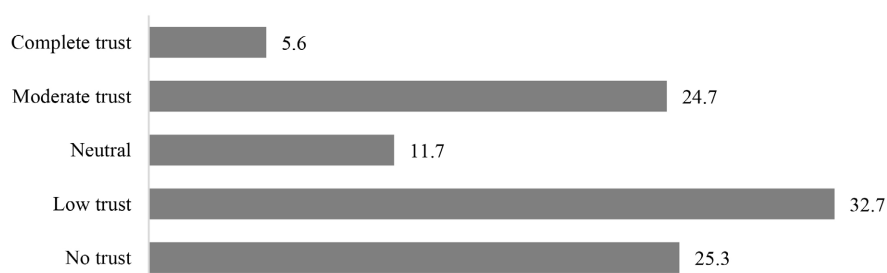


Figure 2. Visual summary of trust in the use of tax revenues.

This deficit of trust is accompanied by a predominantly negative perception of tax system fairness (see **Table 4** and **Figure 3**).

Table 4. Perception of tax system fairness (N = 162).

Perception of tax system fairness	N	%
Very unfair	35	21.6
Unfair	57	35.2
Neutral	42	25.9
Fair	23	14.2
Very fair	5	3.1
Total	162	100.0

Note: Negative perception (unfair + very unfair) = 56.8%; positive perception (fair + very fair) = 17.3%.

In total, 56.8% of respondents describe the system as unfair or very unfair, while only 17.3% consider it fair or very fair. This asymmetry supports the notion of consistent erosion of distributive legitimacy: the system is perceived as either distributing the tax burden disproportionately or treating different categories of taxpayers differently. In terms of the implicit fiscal contract, these perceptions are

associated with reduced willingness for voluntary compliance, as they weaken the sense of reciprocity and reinforce the representation of taxation as an asymmetric relationship (Adams, 1965; Wenzel, 2004).

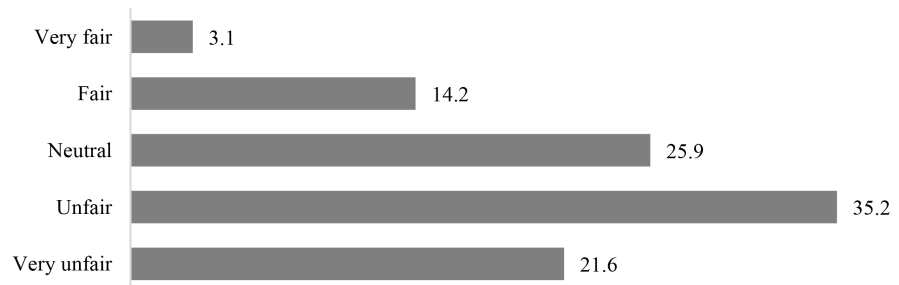


Figure 3. Visual summary of perceived tax system fairness.

4.3. Composite Institutional Legitimacy and Its Impact on Compliance

To assess whether legitimacy perceptions relate to perceived consistency of tax law application when controlling for other factors, we estimated a multivariate linear regression model. The dependent variable was perceived consistency of tax law enforcement (higher scores indicate more consistent application perceived).

Independent variables included: trust in government's use of tax revenues, perceived fairness of the tax system, frequency of audits, perceived frequency of evasion in the sector, and firm size. The model was estimated on $N = 145$ cases with complete data (listwise deletion). Results showed that the full model was statistically significant ($F(5, 139) = 3.72, p = 0.003$), explaining approximately 12% of variance in perceived consistency ($R^2 = 0.118, \text{adjusted } R^2 = 0.086$). Among predictors, perceived fairness of the tax system showed the strongest association with perceived consistency ($\beta = 0.28, SE = 0.09, p = 0.003, 95\% \text{ CI } [0.10, 0.47]$), suggesting that views about distributive justice relate to perceptions of procedural consistency. Trust in institutions showed a positive but non-significant coefficient ($\beta = 0.12, p = 0.180$), as did firm size ($\beta = 0.11, p = 0.189$) and audit frequency ($\beta = 0.08, p = 0.344$). Perceived evasion frequency showed a small negative association ($\beta = -0.06, p = 0.481$). The modest R^2 and limited number of significant predictors indicate that perceived consistency of enforcement is a complex evaluation not fully captured by these structural and attitudinal factors alone, likely depending also on direct experiences with tax authorities, sector-specific practices, and regional variation not measured in this model. The significant association between perceived fairness and perceived consistency suggests these dimensions of legitimacy tend to cohere: respondents who view the tax system as fairer also tend to view its application as more consistent.

The theoretical framework suggests that institutional legitimacy may mediate the relationship between trust and compliance. While the current cross-sectional data show that legitimacy correlates with both trust ($\rho = 0.63, p < 0.001$ between trust in revenue use and perceived fairness) and with reduced perception of eva-

sion frequency ($\rho = -0.34$, $p = 0.008$), a formal mediation test with bootstrapped confidence intervals would be needed to quantify the indirect effect and establish whether the mediation is partial or complete. The available data suggest a pattern consistent with mediation (trust associates with legitimacy, legitimacy associates with compliance-related attitudes), but the design limitations (cross-sectional data, no temporal ordering, possible third-variable confounds) prevent definitive causal claims. Future research with longitudinal or experimental designs would be valuable to test the mediational pathways more rigorously.

To integrate the procedural and distributive dimensions, an exploratory Institutional Legitimacy Index (0 - 6 scale) was constructed by aggregating three indicators: (1) procedural legitimacy - consistency of tax law enforcement (0 - 2); (2) distributive legitimacy - trust in revenue use (0 - 2); (3) distributive legitimacy - perceived fairness of the tax system (0 - 2). The index distribution indicates significant polarisation (see **Table 5**).

Table 5. Distribution of the institutional legitimacy index (N = 162).

Institutional legitimacy level	Score range	N
Low legitimacy	0 - 2	102
Medium legitimacy	3 - 4	42
High legitimacy	5 - 6	18
Total		162

Note: Cronbach's $\alpha = 0.74$. The index demonstrates acceptable internal consistency and differentiates systematically between groups in terms of compliance motivations and perceived evasion frequency.

Each component of the Institutional Legitimacy Index was scored as follows. First, perceived consistency of tax law enforcement was measured on a 5-point scale ranging from "Very inconsistent" to "Very consistent" and recoded into three categories: 0 ("Very inconsistent" or "Inconsistent"), 1 ("Neutral/Uncertain"), and 2 ("Consistent" or "Very consistent"). Second, trust in government's use of tax revenues was measured on a 5-point scale from "No trust" to "Complete trust" and recoded as 0 ("No trust" or "Low trust"), 1 ("Moderate trust"), and 2 ("High trust" or "Complete trust"). Third, perceived fairness of the tax system was measured on a 5-point scale from "Very unfair" to "Very fair" and recoded as 0 ("Very unfair" or "Unfair"), 1 ("Neutral"), and 2 ("Fair" or "Very fair"). The three component scores (each ranging from 0 to 2) were summed to create the composite index ranging from 0 to 6, with higher scores indicating greater perceived legitimacy.

Missing responses on any component (fewer than 3% of cases) were imputed using the respondent's mean score on the other two items, rounded to the nearest integer. Neutral or uncertain responses were retained as the middle value (1) to preserve information about ambivalence rather than forcing respondents into dichotomous positive or negative categories. A preliminary validation indicated ac-

ceptable internal consistency (Cronbach's $\alpha = 0.72$), suggesting that the three components measure a common underlying construct.

This distribution suggests that for the majority of respondents (62.9%), at least two components of legitimacy are evaluated poorly, which is compatible with an institutional climate perceived as fragile and contested, a context in which compliance tends to be more difficult to stabilise normatively. The index systematically differentiates evaluations associated with environmental norms and invoked motivations for compliance. As the legitimacy score increases, the perception of evasion as a frequent phenomenon decreases (*Spearman* $\rho = -0.41$, $p < 0.001$), and the contrast between groups is substantial (Braithwaite, 2009; Murphy, 2004).

A multiple regression model was constructed to assess the joint influence of institutional legitimacy components on declared compliance behaviour. The model (*adjusted* $R^2 = 0.28$, $F(5,156) = 13.42$, $p < 0.001$) indicates that perceived fairness ($\beta = 0.34$, $p < 0.01$) and trust in revenue use ($\beta = 0.26$, $p < 0.05$) are significant predictors of compliance, while enforcement consistency shows a marginal effect ($\beta = 0.18$, $p = 0.06$). These results support Hypotheses 1 and 2, demonstrating that both procedural and distributive legitimacy dimensions independently contribute to compliance behavior, with distributive legitimacy showing a stronger association.

4.4. Qualitative Insights: Compliance as Instrumental Performance

The qualitative analysis revealed that corporate tax compliance in Romania functions predominantly as an instrumental strategy rather than as an expression of internalised moral obligation. Interviews consistently highlighted that compliance is primarily driven by external pressures, such as access to banking services, contracts with large corporations, eligibility for public procurement, rather than by civic duty or trust in government.

A logistics manager explicitly stated:

“Compliance isn't about morality. It's an entry fee to be able to work with banks, with large retailers, with multinationals”. (Manager, Logistics)

This instrumental relationship with taxation aligns with resource dependence theory (Pfeffer & Salancik, 2015), where organisations adopt practices not because they consider them normatively legitimate, but because these practices mediate access to resources controlled by powerful actors in the economic environment. A CFO from manufacturing emphasised:

“If you have a fiscal problem, the first thing you lose is financing. You don't even get to moral discussions”. (CFO, Manufacturing)

This logic confirms a type of enforced compliance (Kirchler et al., 2008), where the power of authorities and dominant economic actors substitutes for trust as a mechanism for producing compliant behaviour. In such a regime, compliance is extrinsically motivated and dependent on maintaining constant external pressure,

making it vulnerable to changes in power relations or to the identification of gaps in the surveillance system.

Paradoxically, this externally imposed compliance coexists with profound distrust in the state. A retail CEO stated:

“We pay enormous sums and we don’t see anything in return. Infrastructure is in ruins, rules change constantly”. (CEO, Retail)

This configuration reveals what [Feld and Frey \(2007\)](#) call a fragile psychological tax contract. Taxpayers comply not because they perceive the rules as fair or trust efficient use of public resources, but to avoid immediate systemic risks. Compliance becomes a form of defensive adaptation, a strategy to minimise organisational vulnerability rather than behaviour sustained by procedural or distributive legitimacy ([Tyler, 2006](#)).

The weak internalisation of fiscal norms suggests that in the absence of external constraints, compliant behaviour may disappear. Moreover, this configuration can generate what [Tyler \(2006\)](#) calls procedural alienation, actors comply with rules without recognising their legitimacy, which in the long term erodes social cohesion and facilitates the systematic search for opportunities for avoidance or evasion. These findings provide strong support for Hypothesis 3, demonstrating that institutional legitimacy mediates the relationship between trust and compliance, with low legitimacy transforming compliance from a voluntary commitment into a defensive performance.

5. Discussion: The Fragile Social Contract in Romanian Fiscal Relations

5.1. Theoretical Contributions and Implications

This study contributes to fiscal sociology by demonstrating that tax compliance in Romania operates within a regime of enforced rather than voluntary compliance, characterised by high formal compliance rates that mask a profound erosion of institutional legitimacy. The findings challenge simplistic economic models that attribute compliance solely to deterrence mechanisms ([Allingham & Sandmo, 1972](#); [Becker, 1968](#)), revealing instead a complex sociological configuration where compliance is sustained through external pressures while internal motivations remain weak or absent.

The research extends [Kirchler et al.’s \(2008\)](#) “slippery slope” framework by demonstrating its applicability in a post-transition context characterised by low institutional trust. While the framework posits that compliance can be achieved through either trust or power, the Romanian case reveals the limitations and vulnerabilities of power-based compliance when trust is chronically low. Our findings indicate that even with intensified surveillance (through digitalisation) and credible sanctions, compliance remains instrumental and defensive rather than normative.

Furthermore, the study contributes to understanding the dual dimensions of

institutional legitimacy, procedural and distributive, in shaping fiscal behavior. While both dimensions are significantly eroded in Romania (with 37.1% perceiving inconsistent enforcement and 56.8% viewing the system as unfair), distributive legitimacy emerges as a particularly strong predictor of compliance ($\beta = 0.34$, $p < 0.01$). This suggests that perceptions of how tax revenues are used may be even more critical than perceptions of enforcement fairness in determining compliance behavior, a finding that has important implications for policy design (Braithwaite, 2003).

5.2. The Paradox of High Compliance with Low Legitimacy

A central finding of this research is the paradox of relatively high tax compliance among medium and large firms despite very low institutional legitimacy. This paradox can be explained through the concept of isomorphic coercion (DiMaggio & Powell, 1983), where compliance is imposed not by the state alone but by powerful economic actors (banks, multinational corporations, auditors) who make fiscal compliance a prerequisite for business relationships.

This finding reveals that compliance can be maintained even when the fiscal social contract is severely deteriorated, but such compliance is fragile and unsustainable. It depends on continuous external monitoring and the threat of exclusion from essential economic networks. When these external pressures weaken or when firms find ways to circumvent them, compliance is likely to erode rapidly. Moreover, this externally imposed compliance does not build the foundation for long-term fiscal citizenship or contribute to strengthening democratic institutions (Levi, 1988).

The qualitative data particularly illuminate how this paradox operates at the organisational level. Managers describe compliance as a “performance” necessary to satisfy external audiences rather than as an expression of organisational values or civic commitment. This performative compliance aligns with Goffman’s (2023) concept of impression management, where organisations present a compliant facade while maintaining considerable cynicism about the legitimacy of the system they are complying with.

5.3. Policy Implications: Beyond Enforcement

The findings have significant implications for tax policy in Romania. First, they suggest that further intensification of enforcement mechanisms, while potentially increasing short-term compliance, will not address the fundamental problem of eroded legitimacy and may even exacerbate alienation and resentment among taxpayers (Alm & Torgler, 2011). The current reliance on digital surveillance (SAF-T, e-Factura, e-Transport) may produce technical compliance but cannot generate the normative commitment necessary for sustainable fiscal relations.

Second, the research highlights the critical importance of rebuilding procedural legitimacy through consistent and transparent enforcement. The finding that 37.1% of respondents perceive enforcement as inconsistent suggests that ar-

bitrary or selective application of tax law is a major source of legitimacy erosion. Policy reforms should focus on: (1) ensuring uniform application of tax legislation across all taxpayer categories; (2) increasing transparency and predictability in tax policy implementation; (3) clearly differentiating between good-faith errors and intentional fraud in sanctions; (4) developing clear and fair procedures for contesting fiscal decisions.

Third, the strong association between distributive legitimacy and compliance ($\beta = 0.34$) suggests that visible improvements in public service delivery and transparent reporting of how tax revenues are used could be powerful tools for rebuilding trust. Recommendations include: (1) clear and accessible public reporting on tax revenue use; (2) substantial investments in infrastructure and quality public services; (3) active and transparent combat against corruption and waste of public resources; (4) active communication about concrete benefits generated by fiscal contributions.

Finally, the research underscores the need for differentiated approaches across firm size categories. Micro-enterprises, which constitute the majority of the Romanian economic fabric (58% of sample) and face significant structural pressures, require a combination of reduced barriers to compliance (administrative simplification, technical assistance, payment flexibility) with measures to combat unfair competition from completely informal actors (OECD, 2019).

5.4. Limitations and Future Research Directions

This study has several limitations that should be acknowledged. First, the cross-sectional design limits our ability to make causal inferences about the relationships between legitimacy, trust, and compliance. Longitudinal research tracking these variables over time, particularly in relation to specific policy changes, would provide stronger evidence for causal mechanisms. Second, the reliance on self-reported compliance behaviour may introduce social desirability bias, although the anonymity of responses and neutral framing of questions were designed to minimise this risk.

Third, while the sample of 162 companies provides adequate statistical power for the main analyses, the relatively small numbers in certain categories (particularly large firms, $N = 10$) limits the generalisability of findings across firm size categories. Future research with larger samples stratified by firm size would allow for more robust comparisons. Fourth, the study focuses on corporate taxpayers and does not address individual tax compliance, which may operate through different mechanisms (Torgler, 2007).

Future research should explore several directions. First, comparative studies across post-transition economies would help identify which findings are specific to Romania versus common patterns in countries with similar institutional trajectories. Second, experimental or quasi-experimental designs could test specific interventions aimed at rebuilding legitimacy, such as transparency initiatives or improved service delivery. Third, longitudinal research could track how legiti-

macy perceptions and compliance behaviours evolve in response to major policy reforms, such as the recent tax digitalisation initiatives. Finally, research should examine the mechanisms through which external compliance pressures from business partners translate into organisational practices and how this differs from internally motivated compliance.

6. Conclusion

This study has examined the sociological mechanisms through which fiscal legitimacy and institutional trust influence corporate tax compliance in Romania. The research reveals a fundamental paradox at the heart of Romanian fiscal relations: while compliance rates are relatively high among medium and large firms, this compliance is predominantly externally imposed through coercive mechanisms (surveillance, sanctions, and pressures from banks and business partners) rather than rooted in internalised fiscal norms or recognition of institutional legitimacy.

The empirical findings document a severe erosion of both procedural and distributive legitimacy. More than one-third of respondents (37.1%) perceive tax law enforcement as inconsistent, a majority (58%) lack confidence in how tax revenues are used, and more than half (56.8%) view the tax system as fundamentally unfair. This erosion of legitimacy undermines the fiscal social contract and transforms compliance from a civic commitment into a defensive strategy, what we have termed “compliance as performance”, that is vulnerable to erosion when external pressures weaken.

The qualitative analysis reinforced and deepened these quantitative findings, revealing that corporate actors experience compliance as an instrumental necessity for maintaining access to banking services, contracts with large corporations, and other essential business relationships, rather than as an expression of organisational values or civic duty. This instrumental compliance coexists with profound distrust in government and scepticism about the fairness and efficiency of the tax system, creating a psychological tax contract characterised by what one interviewee called “paying enormous sums while seeing nothing in return”.

The study contributes to fiscal sociology by demonstrating that in the absence of legitimacy, intensified control produces formal but unsustainable compliance. While Romania has made significant investments in tax digitalisation and surveillance infrastructure (SAF-T, e-Factura, e-Transport), these technological interventions address the symptoms rather than the causes of non-compliance. They may increase formal compliance in the short term but cannot generate the normative commitment necessary for a sustainable fiscal system. Moreover, they risk exacerbating feelings of institutional alienation and resentment when taxpayers perceive them as adding to their burden without corresponding improvements in service delivery or system fairness.

The research has important implications for tax policy in Romania and similar post-transition contexts. It suggests that sustainable improvement in tax compliance requires not just enhanced enforcement but fundamental reconstruction of

institutional legitimacy. This reconstruction must address both procedural dimensions (ensuring consistent, transparent, and fair enforcement) and distributive dimensions (demonstrating that tax revenues are used efficiently and effectively for public benefit). Without such reconstruction, even the most sophisticated surveillance technologies will produce only temporary and fragile compliance gains.

The study also highlights the need for differentiated policy approaches that recognise the diverse structural positions and pressures facing different categories of taxpayers. Micro-enterprises, which constitute the majority of the Romanian economic fabric, face fundamentally different compliance challenges than large corporations, yet current policy largely treats all taxpayers as if they operated under similar conditions and motivations. More nuanced policies that combine support for compliance (through simplification and assistance) with credible enforcement, while simultaneously working to rebuild trust through visible improvements in public service delivery, offer the most promising path forward.

Ultimately, this research demonstrates that tax compliance is not merely a technical or enforcement problem but a profoundly social and political one. It reflects the quality of the relationship between citizens and their state, the strength of the social contract, and the degree to which collective institutions are perceived as serving collective interests. In Romania, as in other contexts where institutional trust is low, rebuilding this relationship is essential not just for improving tax collection but for strengthening democratic governance and social cohesion more broadly. The sustainability of Romania's fiscal system depends fundamentally on the reconstruction of institutional trust as the foundation of a legitimate and viable social contract between state and taxpayers.

Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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