

Enforcement Efforts in Fighting Tax Evasion: A Systematic Literature Review Approach

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Abstract: Globalization and technology advancements have created new opportunities exploited by income taxpayers to evade tax, thereby undermining the credibility of tax authorities worldwide. This systematic review investigates the enforcement efforts used by tax authorities in combating and curbing tax evasion. Relevant articles were selected using two main databases: Scopus and Web of Science. Guided by the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) framework, 45 relevant articles published between 2018 and 2025 were identified. Through thematic analysis, eight main themes have been developed for the enforcement strategies employed by tax authorities across jurisdictions. The findings indicate that the tax audit is the most used strategy employed to curb tax evasion among income taxpayers, followed by deterrence messages, fines and penalties. Moreover, the tax audit is the most effective enforcement effort that shows its effectiveness as a strong deterrent against tax evasion. A key information gap was identified where only 11 studies out of 45 studies carried out comparative evaluations on different enforcement efforts, highlighting the need for more cross-contextual research in the future. This study provides valuable insights for researchers by highlighting underexplored enforcement strategies and for tax authorities in enhancing and refining their enforcement approaches to effectively address tax evasion.

Keywords: *Enforcement, Tax Evasion, Tax Fraud, Tax Noncompliance, Systematic Literature Review*

1. Introduction

Tax revenue serves as one main financial source for country development, particularly in supporting economic and social sectors. However, technological advancement and globalization have created new opportunities for taxpayers to escape paying taxes, leading to a global rise in the number of tax evasion (Alstadsaeter et al., 2024). According to Alm (2021) tax evasion refers to the failure of taxpayers to pay their tax obligation promptly. Slemrod (2007) pointed out that tax evasion is a criminal activity involving willful tax noncompliance. This crime is becoming increasingly prevalent within domestic settings, particularly among high-net-worth individuals. Alstadsaeter et al., (2024), thereby potentially threatening the credibility of the tax system. The consequences are significant, as tax evasion might deprive the government of revenue and increase economic inequality (Tax Justice Network, 2024). The report further estimates that global revenue losses from cross-border tax abuse amount to approximately US\$492 billion annually due to multinational corporations and wealthy individuals shifting profits to tax havens.

Government and tax authorities have recognized the importance of addressing tax evasion schemes. There are two main approaches commonly employed to ensure taxpayers fulfil their tax obligations. The first one is a deterrence-based approach, which relies on enforcement tools and measures, while the second approach is a behavioral approach, which seeks to encourage the taxpayers to pay taxes voluntarily. However, not all taxpayers are compliant, as some may tend to evade taxes. In certain conditions, both approaches are needed, whereas sometimes if one approach is not sound functional, a strong alternative becomes necessary (Doran, 2009). While both enforcement and behavioral approaches are necessary to enhance tax compliance, enforcement that creates a deterrent effect plays a more important role, specifically in curbing deliberate and large-scale tax evasion (Slemrod, 2007). A deterrence approach clearly influences the tax compliance decisions of income taxpayers (Kogler et al., 2022).

This enforcement approach adopts the economic model of Allingham and Sandmo (1972) to examine the issue of tax noncompliance. The model predicts that taxpayers will not pay tax unless there is a risk of non-

compliance being detected and punished by the tax authority. According to this model, enforcement tools, specifically tax audits, tax rates, and fines, had an influence on tax compliance. Enforcement undoubtedly plays a role in enhancing compliance, as it affects the monetary considerations of individual taxpayers (Chan et al., 2023). Moreover, tax enforcement has strengthened the taxpayers' tax morale and reduced tax evasion (Filippin et al., 2013; Kumi & Kwasi Bannor, 2023).

Scholars have shown interest in how tax authorities implement enforcement tools in fighting tax evasion (Bazart et al., 2020; Clemente et al., 2021; Dare, 2020). Although many studies focused on enforcement measures in combating tax noncompliance, there was still an insufficient number of studies that conducted systematic reviews of existing research. Dularif and Rustiarini (2022) conducted a systematic literature review (SLR) that exclusively examines non-deterrence approaches in the context of tax compliance. Much of the existing literature consists of empirical analyses that focus on specific countries or tools in isolation (Ramírez-Álvarez, 2023; Zamiruddin et al., 2024). As a result, policymakers and tax administrations lack a comprehensive understanding of how enforcement tools are applied globally. Hence, there is a clear need for a systematic literature review that synthesizes the diverse findings on deterrence-based tax enforcement strategies across jurisdictions. Accordingly, the present study uses the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) guidelines to carry out an SLR in examining deterrence-based approaches. This review is guided by the following research question: What enforcement efforts have been implemented by tax authorities to combat tax evasion? Specifically, this study aimed to investigate the enforcement strategies, such as tax audit, fines and penalties undertaken by tax authorities across jurisdictions in addressing tax evasion.

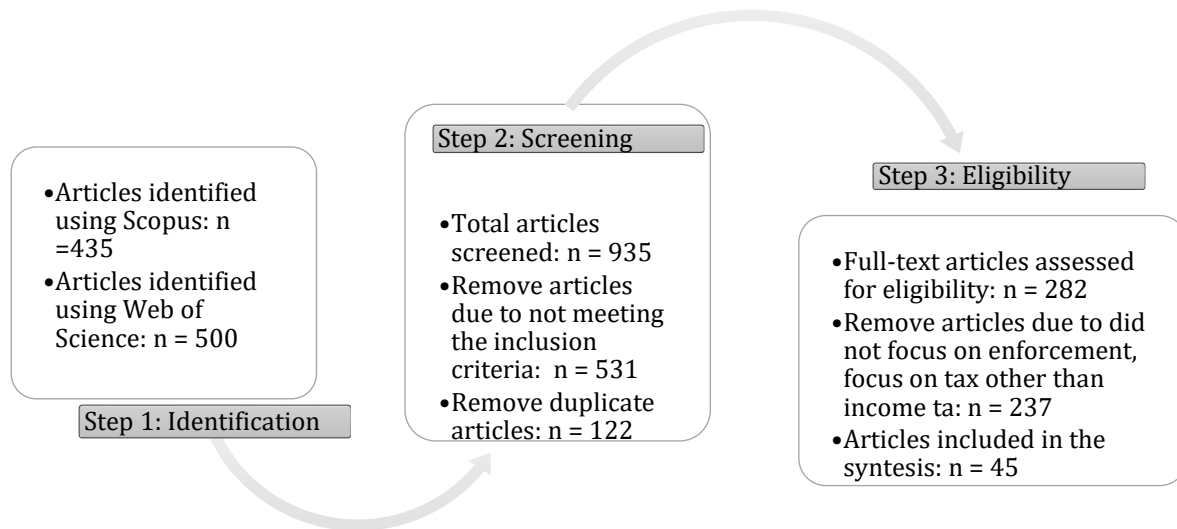
This study has the potential to offer several significant contributions to both practical application and the existing body of knowledge. The study emphasizes the critical role of the tax authorities in designing and planning effective tax enforcement strategies, which can ultimately enhance tax collection capacity. Specifically for researchers, the study provides insights into key areas and topics that should be focused on by future research.

The remainder of this study is organized as follows. Section 2 discusses the methodology, and the results of the review are shown in Section 3. Section 4 presents a discussion of the review, followed by suggestions for future research and conclusions in Sections 5 and 6, respectively.

2. Methodology

A SLR is a method used to collect relevant information on a specific theme, ensuring that it meets the pre-determined eligibility criteria and effectively answers the research questions (Mengist et al., 2020). The PRISMA model has been used in this study to guide the reporting of systematic reviews. As illustrated in Figure 1, this study conducted three major search steps of systematic review as in the PRISMA model, namely identification, screening, and eligibility. A literature search was conducted using two leading databases, Scopus and Web of Science. These databases are considered sufficient and reliable for conducting SLR, as they possess advanced searching functions in identifying the relevant articles (Gusenbauer & Haddaway, 2020).

Figure 1: Main Systematic Search Steps Used in the SLR Study



Source: Adapted from Mohamed Shaffril et al. (2020)

The identification step involves identifying the keywords to be utilized in the search process. This study relies on prior studies and an online thesaurus to identify relevant keywords that relate to enforcement and tax evasion. Accordingly, search strings were developed as per Table 1 in both databases. Through this search process conducted in August 2025, the study successfully identified 935 articles, which include 435 articles from Scopus and 500 articles from Web of Science.

Table 1: The Search String used for the Systematic Review Process

Databases	Keywords Used
Scopus	TITLE-ABS-KEY enforcement AND ("tax evasion" OR "tax fraud" OR "tax crime" OR "tax noncompliance")
Web of Science	(TS=(enforcement)) AND TS=("tax evasion" OR "tax fraud" OR "tax crime" OR "tax noncompliance")

The second step involves screening the articles by applying selection criteria, which was conducted automatically using the sorting function available in the databases. This step aims to include relevant articles based on inclusion criteria or exclude those that meet the exclusion criteria, as set by the author in Table 2. The inclusion and exclusion criteria are categorized into five aspects: publication timeline, types of documents, language, publication stage, and types of sources. During this step, a total of 531 articles were excluded for not meeting the inclusion criteria, and 122 duplicate articles were removed. The remaining 282 articles proceeded to the third step of the review process.

Table 2: Inclusion and Exclusion Criteria

Criteria	Inclusion	Exclusion
Publication timeline	2018-2025	2017 and before
Types of documents	Article	Book chapter, conference paper, review article and book
Language	English	Non-English
Publication stage	Final	Article in press
Types of sources	Journal	Book, conference proceedings and book series

The third step is the eligibility stage, where the remaining 282 articles were re-examined by manually reviewing the titles and abstracts to ensure alignment with the research objectives as well as the inclusion and exclusion criteria. In this step, 237 articles were excluded for the following reasons: the text was not accessible in full; the focus was on the other type of taxes such as value-added tax (VAT), sales tax, petroleum tax, Goods and Services Tax (GST), diesel tax, and import duties instead of income tax; the articles were literature review

but not empirical studies; the focus was primarily on economic issues and tax law rather than enforcement. As a result, only 45 articles that met the inclusion criteria and were relevant to the research objective were selected for the study. These articles were further analyzed and discussed based on the study's objective, and relevant themes were extracted from them.

3. Results

Using the PRISMA approach, this review successfully identified 45 relevant articles focused on enforcement efforts to combat tax evasion. The findings confirmed that these articles concentrated on various strategies employed by tax authorities to enhance tax compliance and reduce tax evasion. Table 3 shows the SLR results based on year, country and the enforcement efforts. In terms of publication trends, most of the selected articles were published in recent years. Specifically, nine were published in 2018, one in 2019, ten in 2020, six in 2021, seven in 2022, seven in 2023, three in 2024, and two in 2025. Geographically, the United States leads with five studies in terms of contributions to the literature on tax enforcement, followed by Germany with four studies. France, Italy, Ecuador, and Norway each contributed three studies on the topic.

From the analysis, the enforcement efforts by tax authorities were classified into eight main themes: 1) tax audit; 2) deterrence messages; 3) fines and penalties; 4) voluntary disclosure; 5) whistleblower programs; 6) tax rates; 7) third-party reporting; and 8) other enforcement-related measures. The most used enforcement efforts were highlighted for tax audit with 19 articles, followed by the deterrence messages (n=11), and fines and penalties (n=9).

Table 3: SLR Results on the Enforcement Efforts Used by Tax Authorities in Fighting Tax Evasion

Authors	Year	Country	Enforcement Efforts							
			TA	DM	FP	VD	WB	TR	TPR	O
Alstadsæter & Jacob	2018	Sweden						NE		
Carfora et al.	2018	Italy	√							
Debacker et al.	2018	United States	√							
D'Agosto et al.	2018	Italy	√							
Garz & Pagels	2018	Germany				√				
Meiselman	2018	United States		√						
Russo	2018	Italy					√			
Swanepoel & Meiring	2018	South Africa			√		NE			
Waseem	2018	Pakistan						NE		
Chong et al.	2019	Malaysia	√		√					
Ahrens & Bothner	2020	52 countries								√
Appelgren	2020	Sweden	√							
Bazart et al.	2020	France	NE				√			
Bott et al.	2020	Norway		√						
Dare	2020	South Africa	√		√					
Gould & Rablen	2020	United Kingdom			√	√				
Ortega & Scartascini	2020	Colombia		√						
Rashid	2020	Bangladesh	√		√					
Robbins & Kiser	2020	United States	√		√			NE		
Waseem	2020	Pakistan						NE		
Bagchi & Dušek	2021	United States								√
Berger et al.	2021	Germany	√							
Bjørneby et al.	2021	Norway	√						NE	
Clemente et al.	2021	Brazil	√		NE					
Irawan & Utama	2021	47 countries	NE							
Mogollon et al.	2021	Columbia		√						
Alstadsæter et al.	2022	Norway				√				

Bayer	2022	Australia	√				
Castro et al.	2022	Peru		√			
Jin et al.	2022	China	√		√		NE
Organ et al.	2022	United States					√
Romaniuc et al.	2022	Moldova and France				√	
Sánchez	2022	Ecuador		√			
Carrillo et al.	2023	Ecuador		√			
Chan et al.	2023	Australia	√				
Holz et al.	2023	Dominican Republic		√			
Kasper & Rablen	2023	Austria	√				
López-Laborda et al.	2023	Spain		√			
Ramírez-Álvarez	2023	Ecuador		√			
Okafor	2023	Canada		√			√
Beer & de Mooij	2024	Germany				√	
Koch & Müller	2024	Germany				√	
Zamiruddin et al.	2024	Malaysia				√	
Harju et al.	2025	Finland	√				
Pavel et al.	2025	France	√				
TA = Tax Audit			O = Other Enforcement Efforts				
DM = Deterrence Messages			NE = Not effective effort				
FP = Fines & Penalties			√ = Effective effort				
VD = Voluntary Disclosure							
WB = Whistleblower Programs							
TR = Tax Rates							
TPR = Third-party Reporting							

Tax Audit

Tax audit represents the most enforcement efforts being observed in this review, with nineteen (19) studies. The review found that seventeen (17) out of nineteen (19) studies in this review demonstrated that greater enforcement through frequent tax audits significantly increases tax compliance and even reduces tax evasion (Appelgren, 2020; Bayer, 2022; Berger et al., 2021; Bjørneby et al., 2021; Clemente et al., 2021a; D'Agosto et al., 2018; Dare, 2020; Rashid, 2020). Taxpayers who perceive a higher probability of detection or face actual audits are more likely to disclose both cash payments (Robbins & Kiser, 2020) and income (Carfora et al., 2018; Chan et al., 2023; Debacker et al., 2018) compared to those who perceive lower detection risks. Focusing on small to medium-sized firms in Finland, a study by Harju et al. (2025) found that these firms persistently increased their profit disclosure following risk-based tax audits, suggesting that tax compliance improved among the audited firms. Pavel et al. (2025) reported that extending the statute of limitations for retroactive tax audits can enhance tax compliance. This is attributed to taxpayers' increased income disclosure, driven by the fear of facing stricter penalties for tax evasion within a longer audit timeframe.

Field studies and experiments conducted by Kasper and Rablen (2023) and Chong et al. (2019) revealed that taxpayers, particularly employees (Chong et al., 2019) tend to be more compliant after an audit if they believe there is a higher chance of future audits. In China, Jin et al. (2022) found that strict audit procedures and high penalty rates ensure high tax compliance among top live streamers due to strong deterrence rather than peer influence. Dare (2020) also observed that higher audit levels increased tax compliance among both employed and self-employed taxpayers. However, this finding stands in contrast to Chong et al. (2019) who reported that self-employed individuals are less responsive to enforcement disclosures because of their greater ability to manipulate income reporting in a flexible environment.

Although two (2) out of seventeen (17) studies acknowledged that tax audits can mitigate tax evasion, they also highlighted that excessive auditing may have adverse effects. High audit costs, especially in Latin American countries with complex tax systems and heavy tax burdens, can increase tax evasion compared to European

countries with lower audit costs (Clemente et al., 2021). Berger et al. (2021) argued that while audits are essential, if taxpayers believe the likelihood of follow-up audits is low, increased auditing may only result in a temporary boost in tax compliance.

Several studies also examined the types of tax audits that are most effective in reducing tax evasion. D'Agosto et al. (2018) found that combining soft and deep audits significantly improves compliance, where soft audits promote tax compliance through on-site access and engagement, while deep audits are more effective in recovering unpaid taxes. Chan et al. (2023) emphasized the effectiveness of endogenous audits in reducing tax evasion in cash transactions, which rely on information provided in tax returns, rather than random selection. In contrast, Berger et al. (2021) suggested that random audits may be preferable to targeted ones, as taxpayers who feel specifically targeted may only improve compliance temporarily. Bjørneby et al. (2021) demonstrated that simple on-site audits increased wage reporting among small firms by verifying employee registrations and imposing fines for non-compliance. Appelgren (2020) discovered the combination of segmentation and pre-announced audit that can optimize outcomes through its focus on high-risk areas, which allows taxpayers to adjust their behavior in advance, thereby reducing enforcement costs. In addition, Bayer (2022) recommended the use of the smooth relative rule over the jump rule to reduce tax evasion. While the jump rule effectively detects undeclared income, it is less practical due to its complexity. In contrast, the relative rule is easier to implement and can adjust detection probabilities based on variations in tax declarations.

However, two (2) out of nineteen (19) studies in the review demonstrated that tax audits are less effective in curbing tax evasion (Bazart et al., 2020; Irawan & Utama, 2021). Bazart et al. (2020) discovered that audit strategies are less effective compared to whistleblower programs in identifying tax offenders. Although both strategies yielded similar tax revenue, whistleblower programs resulted in higher post-enforcement compliance and were cost-effective. Irawan and Utama (2021) added that audits tend to be less effective when taxpayers perceive a low probability of being inspected, often due to infrequent contact with tax authorities, and have limited resources for conducting comprehensive audits.

Deterrence Messages

Eleven (11) studies in this review examined the effectiveness of enforcement tools like emails and letters used by tax authorities to deliver deterrence messages aimed at reducing tax evasion. In most cases, these messages were sent shortly before the tax filing deadline to influence taxpayer behavior (Bott et al., 2020; Holz et al., 2023).

Carrillo et al. (2023), Holz et al. (2023) and Sánchez (2022) found that email messages significantly improved tax compliance, especially among firms owned by high-income individuals (Carrillo et al., 2023). In particular, messages warning about potential prison sentences, combined with public disclosure strategies, produced a strong deterrent effect and led to a notable increase in compliance (Holz et al., 2023). Ramírez-Álvarez (2023) further showed that deterrence messages sent not only to taxpayers but also to their accountants, particularly those managing microenterprises in Ecuador, resulted in a significant increase in income tax declarations. Interestingly, Sánchez (2022) observed that even non-threatening messages about penalties, such as those merely stating the underreported tax amount, could substantially increase reported taxes. However, these messages also heightened the likelihood of overreporting, as taxpayers sought to avoid future audits.

Several studies, including Castro et al. (2022), Bott et al. (2020) and Meiselman (2018), used letters as the communication medium in field experiments. These letters send various message types, such as deterrence, social norm, and civic pride appeals. Among these, messages emphasizing the likelihood of being caught (Castro et al., 2022), or highlighting potential penalties (Meiselman, 2018), they were the most effective in encouraging long-term tax compliance. In contrast, messages based on altruism or civic pride were found to be ineffective and even associated with a decrease in compliance level.

In four (4) of the eleven (11) studies, deterrence messages were delivered using tools other than emails or letters. López-Laborda et al. (2023) demonstrated the effectiveness of pop-up alerts on tax filing websites in increasing the number of declared incomes and filers, particularly in reducing the rental tax evasion. Okafor (2023) found that conviction notices, combining messages about penalties, social norms, and incentives, improved tax compliance. Mogollon et al. (2021) used professional phone calls to remind taxpayers of their

debts and potential sanctions, coupled with invitations to meet with tax officers. These calls significantly improved compliance, especially when there was personal engagement, although they were less effective for corporate taxpayers due to decision-making complexities. Ortega and Scartascini (2020) conducted a field experiment in Colombia using various communication methods like emails, personal visits, and letters to deliver both deterrence and moral suasion messages. Their findings revealed personal visits as the most effective, followed by emails, while letters were the least effective. However, the effectiveness of personal visits came with higher costs, especially when repeated.

Fines and Penalties

This review identified eight (8) studies that examined the effectiveness of fines and penalties as enforcement tools to mitigate tax evasion. Interestingly, only one (1) study conducted in the United Kingdom found that instead of using high fines, offshore tax evasion was effectively reduced by imposing lower penalties in combination with voluntary disclosure programs (Gould & Rablen, 2020). On the other hand, six (6) studies concluded that higher fines and penalties act as effective deterrents, aiding tax authorities in combating tax evasion (Chong et al., 2019; Dare, 2020; Jin et al., 2022; Rashid, 2020; Robbins & Kiser, 2020; Swanepoel & Meiring, 2018). These studies generally found that taxpayers subjected to higher penalties are more likely to report and disclose their income than those facing lower or less certain penalties. (Dare, 2020; Robbins & Kiser, 2020). In particular, Chong et al. (2019) showed that more than half of the sample of employed participants in Malaysia stopped minimizing their tax obligations when informed about the probability of audits and associated penalties in a synergistic environment.

Swanepoel and Meiring (2018) discovered that fines are more effective than imprisonment in deterring tax offenses, as tax offenders set their priority in protecting their illicit financial gains. However, they also suggested that combining fines with imprisonment could further enhance deterrence, especially in cases where fines cannot be increased beyond a certain threshold. Jin et al. (2022) and Rashid (2020) reported that the combination of high fines with tax audits created a powerful deterrent effect, significantly reducing tax evasion. The need to balance fine levels with audit activity was emphasized by Dare (2020) to avoid excessive enforcement that may lead to reduced compliance and unintended economic consequences.

Although fines were generally found to be effective, several limitations and contextual challenges were highlighted. Dare (2020) observed that combining increased audit rates with higher penalties could sometimes result in decreased compliance, potentially due to taxpayers feeling overburdened or fearful. Similarly, Chong et al. (2019) found that business owners, unlike salaried employees, were largely unresponsive to enforcement disclosures, even when penalties reached 100% of the underreported tax due to their greater ability to manipulate reported income. Among the eight (8) studies, one (1) expressed uncertainty regarding the effectiveness of fines. Clemente et al. (2021) argued that in Latin American countries, the impact of fines on tax compliance remains unclear due to overly complex regulations and the proliferation of overlapping penalties, which create difficulties in enforcement and monitoring.

Voluntary Disclosure

Four (4) studies in this review demonstrated that voluntary disclosure or tax amnesty programs can be effective tools in preventing tax evasion. According to Zamiruddin et al. (2024) taxpayers in Malaysia are generally inclined to participate in the Special Voluntary Disclosure Programs (SVDP). They do so by voluntarily correcting their past tax returns in exchange for a reduced penalty rate. Alstadsaeter et al. (2022) found that when voluntary income declarations were limited to income not derived from illegal activities, the program successfully encouraged many wealthy individuals to disclose their previously hidden offshore wealth. This subsequently led to an increase in reported net income and corresponding tax obligations.

In addition to improving compliance, Gould and Rablen (2020) reported that voluntary disclosure schemes not only raised expected net tax revenue but also reduced illegal offshore investment and shifted more capital toward onshore investment. Similarly, Garz and Pagels (2018) observed that increased media coverage of high-profile celebrity tax trials in Germany prompted greater participation in tax amnesty programs, with many non-compliant taxpayers coming forward to disclose their actual income.

However, two (2) studies in this review found that the effectiveness of voluntary disclosure programs has a

limitation. Koch and Müller (2024), who investigated a permanent or anticipated program paired with stringent enforcement, found that it can actually reduce tax compliance. This is particularly true when taxpayers have sufficient and clear information about audit probabilities, which suggests that such programs can increase tax evasion activities. This finding is similar to that of Beer and de Mooij (2024), who discovered that a program is most effective when introduced unexpectedly with minimal or zero penalties. This element of surprise allows governments to offer the program as a one-time event, preventing taxpayers from expecting future repetitions. However, if the program is anticipated, it loses its effectiveness and may even encourage otherwise compliant taxpayers to engage in tax evasion.

Whistleblower Programs

Of the four (4) studies that examined the effectiveness of whistleblowers in reducing tax evasion, three reported positive outcomes, while one found limited effectiveness. Bazart et al. (2020) concluded that a whistleblowing-based audit scheme is both efficient and effective in identifying tax evaders, resulting in decreased amounts of tax evasion and increased tax collections. Similarly, Russo (2018) discovered that online platforms allowing individuals to report tax evasion contributed to enforcement efforts, especially in environments with high tax morale.

Romaniuc et al. (2022) investigated peer reporting as whistleblowing, considered a form of whistleblowing through tax evasion games conducted in Moldova and France. While whistleblowing was viewed as less socially acceptable in Moldova, this did not lead to lower levels of tax compliance, as similar compliance rates were observed in both countries. Interestingly, participants in both countries were willing to incur personal costs to report tax evaders. The study also emphasized that whistleblowing acts as a deterrent in Moldova, where historical sensitivity to being reported is rooted in Soviet-era experiences, making individuals more cautious and less likely to engage in tax evasion.

However, Swanepoel and Meiring (2018) reported a different outcome in South Africa, where whistleblowing was less effective. Individuals were generally reluctant to report tax evasion due to fear of victimization, lack of institutional support from senior management, and uncertainty about the outcomes of their actions. Furthermore, widespread distrust in the criminal justice system, fueled by perceptions of inequality and impunity for powerful individuals, contributed to a lack of confidence in whistleblower protections.

Tax Rates

Based on this systematic literature review, five (5) studies were identified exploring the role of tax rates in curbing tax evasion. Robbins and Kiser (2020) found no significant relationship between tax rates and tax compliance. However, their study emphasized that tax audits, combined with fines and penalties, are effective enforcement measures in combating tax evasion.

Conversely, the remaining four (4) studies revealed that changes in tax rates, whether increases or decreases, do not necessarily lead to improved compliance, and in some cases, may even encourage tax evasion. Waseem (2020) reported that in Pakistan, a substantial portion of business income and a smaller portion of employment income among low-and middle-income taxpayers remained unreported. This indicates that lowering tax rates alone is insufficient to deter evasion behavior.

Alstadsaeter and Jacob (2018) and Waseem (2018) in their studies observed a rise in tax evasion as tax rates increased. Alstadsaeter and Jacob (2018) Found that a higher increment of marginal tax rates was associated with overstatement of self-reported dividend allowances, thereby reducing the tax liabilities of shareholders. Similarly, Waseem (2018) demonstrated that the higher tax rates led firms in Pakistan to underreport their earnings as a way to mitigate increased tax burdens, ultimately resulting in significant revenue losses for the country.

Jin et al. (2022) further contributed to this discussion by identifying loopholes in China's individual income tax system, where varying tax rates across different types of income, such as salaries, business income, and dividends, created an opportunity for strategic tax evasion. These findings highlight that inconsistent or complex tax structures may inadvertently incentivize non-compliant behavior, regardless of the absolute level of tax rates.

Third-party Reporting

Third-party reporting allows tax authorities to verify employees' tax returns using information submitted by their employers, while withholding enables authorities to collect the tax revenue directly from the income source instead of its recipient (Bagchi & Dusek, 2021). Based on the review, two (2) studies were identified examining the effectiveness of these mechanisms with mixed findings.

Bagchi and Dusek (2021) reported that the implementation of third-party reporting and withholding taxes in the United States led to an immediate and permanent increase in income tax revenue. Their findings also indicated a significant reduction in non-filing rates, suggesting that withholding mechanisms enhance compliance by removing the discretion of taxpayers in reporting their income. However, Bjørneby et al. (2021) discovered that third-party reporting is not entirely self-enforcing in the context of Norway. They observed that employers and employees in small firms often colluded to underreport wages, thereby undermining the effectiveness of the third-party reporting system. This highlights the limitations of such enforcement tools in environments where cooperation between reporting parties facilitates non-compliant behavior.

Other Enforcement Tools

In addition to traditional enforcement tools, this review identified three (3) other efforts employed to curb tax evasion: naming and shaming, international tax agreements, and collateral sanctions. Okafor (2023) found that the Canada Revenue Agency employs a naming and shaming strategy by publicly disclosing the names and penalties of tax evaders. These efforts serve as a deterrent by influencing other taxpayers to comply with tax regulations to avoid similar reputational implications.

Ahrens and Bothner (2020) examined the impact of international tax agreements, focusing specifically on the automatic exchange of financial information between countries. Their findings show that such agreements significantly reduce hidden household assets in tax havens, thereby limiting opportunities for offshore tax evasion. The existence of these agreements lowers the incentive to conceal wealth abroad due to the increased likelihood of detection.

Organ et al. (2022) investigated the use of collateral sanctions, such as restricting access to passports for individuals with substantial tax debts. Their experimental evidence suggests that although the impact is modest, these sanctions positively influence tax compliance among the targeted taxpayers. These findings indicate that non-monetary enforcement strategies can effectively complement conventional measures in promoting voluntary compliance.

4. Discussion

The primary objective of this study was to conduct a systematic literature review to investigate the enforcement efforts employed by tax authorities and other relevant stakeholders in combating tax evasion. The main goal of understanding these efforts is to contribute to the prevention of tax evasion activities through effective enforcement mechanisms from different jurisdictions.

The findings of this review strongly support the economic deterrence theory, which emphasizes the role of tax audits as a dominant deterrent against tax evasion. Tax audits were shown to increase perceived detection risk among taxpayers, encouraging greater compliance. However, while audits were widely acknowledged as effective, the review also noted that tax audits are less effective if the taxpayers are aware of the lower probability of being audited in the future. Furthermore, the deterrence messages that emphasize the audit likelihood, penalties, and other legal consequences generally improve tax compliance. In this review, these messages are generally delivered via traditional channels, which are through letter and email. The review noted that the use of modern communication media, especially in the current technology with artificial intelligence advancement, has received limited attention in the literature.

The analysis of fines and penalties discovered that both high and low penalty levels can influence compliance, particularly when executed in conjunction with other enforcement tools such as audits or voluntary disclosure programs. This suggests that fines and penalties may be more effective when used as part of an integrated enforcement strategy rather than in isolation. This review also found that whistleblower programs are effective

in reducing tax evasion. However, the anonymity, rewards and other context details of the programs can influence the outcomes, with one study reporting the fear of the people to make a report of tax evasion activities.

On tax rates, the findings revealed that neither high tax rates nor very low (approaching zero) tax rates effectively serve as standalone enforcement tools in reducing tax evasion. Taxpayers may continue to evade taxes regardless of the rate, highlighting the complex behavioral and systemic factors that influence compliance.

This review also found that the voluntary disclosure programs are widely shown to improve tax collection. Third-party reporting and other enforcement tools, such as naming and shaming, international tax agreements and collateral sanctions, remain as underexplored areas in enforcement-related research.

5. Conclusion and Recommendations

This systematic literature review has synthesized the current body of knowledge regarding enforcement tools utilized by tax authorities in combating tax evasion. Through a rigorous and structured analysis of 45 peer-reviewed articles sourced from Scopus and Web of Science, the study identifies eight dominant themes, with tax audit, deterrence messages, and fines and penalties emerging as the most prominently employed enforcement mechanisms.

From a theoretical perspective, this review extends the application of deterrence theory (Allingham & Sandmo, 1972). By consolidating evidence on how enforcement tools such as fines, penalties, and audit strategies not only serve as corrective measures but also as psychological deterrents that can strengthen taxpayers' moral obligation to comply. These tools are particularly crucial in addressing deliberate and large-scale tax noncompliance, especially among high-income individuals who are more adept at exploiting legal and technological loopholes. While numerous studies have explored individual enforcement strategies in isolation, this review highlights the fragmented nature of current research and underscores the need for more comprehensive, comparative, and context-specific investigations. Several enforcement tools, despite their theoretical relevance, remain underexplored in empirical literature, suggesting ample opportunities for future research. In particular, understanding how enforcement interacts with voluntary compliance strategies could provide a more balanced and holistic framework for policy design.

From a practical standpoint, the review provides valuable insights for tax administrators and policymakers. By highlighting the most effective enforcement tools, this study helps tax authorities to prioritize and utilize their resources more efficiently, thereby maximizing their impact on tax compliance rates. In addition, tax administrations can use the findings to benchmark their existing enforcement strategies against global best practices and adapt to evolving taxpayer behavior and technological advancements. By aligning enforcement efforts with empirical evidence, tax authorities can improve compliance rates, safeguard public revenues, and foster greater equity in the tax system. Ultimately, this review contributes to the academic discourse by consolidating diverse research streams, identifying key enforcement practices, and recommending strategic directions for both future research and policy implementation in the ongoing fight against tax evasion.

Future Research

Future research should explore the impact of digitalization in tax enforcement, including the use of technology in audits, third-party reporting, and automated detection systems. The integration of digital tools in tax administration holds potential for improving efficiency and accuracy in enforcement, but remains insufficiently examined in current literature. Moreover, future systematic literature reviews should broaden their scope to include a wider range of sectors and other types of taxes. This would allow for a more robust comparative analysis. This study also recommends that future research utilize a broader range of academic databases to ensure a more comprehensive search and to mitigate the potential for publication bias, as this study was limited to Scopus and Web of Science.

Despite the diversity of enforcement strategies identified, several research gaps remain. For instance, limited attention has been paid to how enforcement tools differ in their effectiveness across specific taxpayer segments

(e.g., self-employed, corporations, high-net-worth individuals) and regional or country contexts. Only 11 out of the 45 studies reviewed conducted comparative analyses of enforcement tools, underscoring the need for comparative research that evaluates the effectiveness of various strategies in different socio-economic and institutional settings.

Furthermore, the findings offer practical implications for policy reform. They highlight the importance of strengthening the independence of tax administrations, enabling them to design and implement more data-informed and flexible enforcement policies. These reforms can enhance compliance while supporting broader goals of innovation and equity in the tax system. For business managers, particularly those responsible for strategic and financial decision-making, understanding the impact of tax policies on innovation investment is critical. Awareness of evolving enforcement trends can help managers make better-informed decisions regarding resource allocation, risk assessment, and long-term strategy.

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