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Understanding Taxpayer Behaviour – New Opportunities for Tax Administration

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Abstract

There is a growing literature on the contribution of behavioural economics to the design and improvement of tax policy. A less well-developed area is the potential for behavioural research to contribute to better tax administration. Better understanding of the motives of taxpayers and their attitudes and behaviour towards taxation can improve both voluntary compliance and the efficiency of the tax administration. The literature suggests tax compliance is determined by five broad factors: deterrence; norms (both personal and social); fairness and trust (in the tax administration); complexity of the tax system; and the role of government and the broader economic environment. Research in Ireland suggests that deterrence, the more traditional tool of tax administrations, is important but not sufficient to explain the level of tax compliance in society. Other factors are shown to be important, particularly the influence of personal norms and the level of trust in the tax administration. Perceptions of the prevailing social norms are also important determinants of compliance but appear to exert less influence on taxpayers than personal norms. The experiences of tax administrations in using behavioural research to influence taxpayers are examined and work in this area in Ireland is outlined.

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An improved understanding of taxpayer behaviour and attitudes to taxation can help tax administrations to develop stronger and more effective compliance risk treatments, as well as improve customer service programmes. This paper outlines the research and how it may be used to influence taxpayer behaviour. Many factors influence behaviour, the focus in this paper is on those that can be tested and used by a tax administration in a practical setting.1 Traditional tools of tax administration (audit for example) are an expensive way to attempt to improve compliance even when targeted at specific t... One can foresee new friction between taxpayers and taxing authorities, centered on the testing of data that hasn't been quality checked as closely as it should be. The results? Preparing for digital tax administration today is relevant and appropriate. What steps should tax department leaders consider in forming their response? Companies must plan, by addressing the issue holistically and strategically; assess, by learning country requirements and identifying required data sources; execute, by designing pre-submission tax authority analytics tests and meeting data submission requirements; and sustain and improve. Four questions stand out as the most important actions a company can take: 1. Can you form a single global response, or perhaps a series of regional respons Understanding Taxpayer Behaviour - New Opportunities for Tax Administration. September 2012 · The Economic and social review. Keith Walsh. There is a growing literature on the contribution of behavioural economics to the design and improvement of tax policy. A less well-developed area is the potential for behavioural research to contribute to better tax administration. Better understanding of the motives of taxpayers and their attitudes and behaviour towards taxation can improve both voluntary compliance and the efficiency of the [Show full abstract] tax administration. The experiences of tax administrations in using behavioural research to influence taxpayers are examined and work in this area in Ireland is outlined. Read more. Discover more.