An Annotated Bibliography of Tax Compliance and Tax Compliance Costs

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Preface

This collection of contributions to the study of tax compliance was compiled as part of an Economic and Social Research Council funded project which formally took place from March 2006 to August 2007. It builds on a great deal of earlier work – most notably by Ahmed et al. (2003), Evans (2003a), Fischer et al. (1992), Jackson and Milliron, (1986), Kirchler (2007) and Richardson and Sawyer (2001). These invaluable sources gave not only perspectives from Accounting, Economics, Law and Psychology but also from America, Australasia and Europe.

Although the entries were compiled for the purpose of the project, as it became clear that this collection might be of use to others, as earlier collections were to us, further information has been added. Where indicated, full abstracts can be found in Ahmed et al. (2003) and it also seemed helpful to indicate when the contribution was cited in one of the above sources since this usually involved more information or comment or both.

Although it has been tidied up to assist, hopefully, other users, the collection remains essentially a working document and there is no claim that it is a complete collection of all the relevant contributions. It was hoped to add more but as time passes it seemed best to make the bibliography available to others without further delay.

As many of the contributions cover more than one topic, the contributions are presented in alphabetical order by first author. Electronic searching seems to make the addition of an index of second and subsequent authors and a subject index of little additional value.

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References

Ahmed, E., McCrae, J., Braithwaite, V. and Sakurai, Y. (2003), Bringing It Together (BIT), Vol.1; An Annotated Bibliography relating to voluntary tax compliance.


Agell, Jonas and Persson, Mats (1990), ‘Tax arbitrage and the redistributive properties of progressive income taxation’, *Economics Letters*, vol. 34(4), pp. 357-361. This paper demonstrates that it is possible for tax arbitrage to reduce inequality.


Agell, Jonas, Persson, Mats and Sacklén (2004), ‘The effects of tax reform on labor supply, tax revenue and welfare when tax avoidance matters’, *European Journal of Political Economy*, vol. 20(4), pp. 963-982. The authors show that failing to account for avoidance responses can lead to substantial errors when analyzing how tax reform affects labour supply, tax revenue and the welfare cost of taxation.


Demonstrates how perceptions of government policy in one area may affect cooperation with government in other areas.

An annotated bibliography bringing together the research collections of the Centre for Tax System Integrity at the Australian National University and the Knowledge Development Network of the Australian Taxation Office. The bibliography is restricted to materials that are concerned with tax compliance or ideas relevant to tax compliance such as regulatory compliance in general and justice. The bibliography is arranged in 10 parts as follows:
Part 1 - An evaluation of the tax system organized around issues such as administrative fairness including procedural justice, legitimacy, trust and the power to influence businesses.
Part 2 - Institutional demands including deterrence, conflict with tax authorities and the likely monetary and psychological costs of non-compliance.
Part 3 – Sources of influence including studies of factors such as self-perception, for example of a personal ethic norm of honesty and perceptions of others including tax advisers, for instance a social ethical norm of honesty.
Part 4 - The cash economy.
Part 5 – Policy issues such as studies that challenge current regulatory practice and propose improvements to the current tax system.
Part 6 – Theoretical contributions including reviews of the relevant literature from a methodological or theoretical perspective.
Part 7 – Contributions relating to the work of researchers of the Centre for Tax System Integrity in the development of a voluntary taxpaying culture but which do not fit readily into the preceding parts.
Part 8 – Econometric papers.
Part 9 – Centre for Tax System Integrity working papers.
Part 10 – Edited Collections on tax compliance.


Alley, Clinton and James, Simon (2006), ‘Research into the economic and behavioural approaches in tax compliance’ in *Taxation Issues in the Twenty-First Century*, edited by Adrian Sawyer, Centre for Commercial and Corporate Law, University of Canterbury, New Zealand, pp. 3-14.


Alm, James, Cherry, Todd, Jones, Michael and McKee, Michael (2010), ‘Taxpayer information assistance services and tax compliance behavior’, *Journal of Economic Psychology*, vol. 31(3), pp. 577-586.


Alm, James and Erard, Brian (2005), ‘Estimating the informal supplier tax gap’, in *Recent Research on Tax Administration and Compliance: Proceedings of the 2005 IRS Research Conference*, Statistics of Income Division, Internal Revenue Service, Department of the Treasury, Washington DC, pp. 27-43. Informal suppliers are those who provide goods or services informally which frequently involve cash payments or are ‘off the books’.


Alm, James and Jacobson, Sarah (2007), ‘Using laboratory experiments in public economics’, *National Tax Journal*, vol. 60(1), pp. 129-152. This paper includes an examination of the application of experimental methods to tax compliance.


Cited in Andreoni et al. (1999), Fischer et al. (1992), Kirchler (2007) and Richardson and Sawyer (2001).
This paper presents experimental results that suggest some taxpayers comply because they overestimate the low probability of an audit. There is also evidence that individuals comply because they value the public goods their tax payments purchase.


Cited in Andreoni et al. (1999), Kirchler (2007) and Richardson and Sawyer (2001).
Abstract in Ahmed et al. (2003), pp. 101-2 and 163.
This paper uses experimental methods to analyze the long run impact of an amnesty. It finds that the average level of compliance falls after an amnesty but if post-amnesty enforcement increases aggregate compliance also increases. In fact, post-amnesty compliance is higher when an amnesty is accompanied by increased enforcement than when enforcement increases without an amnesty.


Antonides, G. and Robben, H.S.J. (1995), ‘True positives and false alarms in the detection of tax evasion’, *Journal of Economic Psychology*, vol. 16(4), pp. 617-640. Cited in Kirchler (2007) and Richardson and Sawyer (2001). Abstract in Ahmed et al. (2003), pp. 58-59. In this study 188 taxpayers in the Netherlands were interviewed regarding their circumstances, motives and perceptions regarding tax evasion. Information from their tax returns was also collected from the tax administration. The results suggest that both social and psychological factors were determinants of tax evasion.


Arendse, Jackie (2010), ‘Is the penalty system in the South African environment an effective deterrent to tax evasion?’ paper presented at the 9th International Tax Administration Conference, ATAX, University of New South Wales, Sydney, 7-9 April.

Cited in Evans (2003a) - empirical work summarized on p. 89

Cited in Evans (2003a) - empirical work summarized on p. 89.


A discussion of the Canadian experience with tax avoidance.

Cited in Jackson and Milliron (1986).

Cited in Evans (2003a) - empirical work summarized on p. 80.

Cited in Evans (2003a) - empirical work summarized on p. 81.
Cited in Richardson and Sawyer (2001).
Abstract in Ahmed et al. (2003), p. 64.
This study examines the degree of consistency in the judgments of tax preparers subject to differing degrees of government regulation. In cases with a high degree of uncertainty, certified public accountants (CPAs) are found to be consistently more pro-taxpayer in their judgments than non-CPA tax practitioners.

This paper surveys and analyzes Malaysian citizens’ perception of the seriousness of tax evasion relative to other crimes and violations.


Bajada, Christopher and Schneider, Friedrich (eds.) (2005), Size, Causes and Consequences of the Underground Economy: An International Perspective, Ashgate, Aldershot.
This collection of papers is divided into three parts. Part I addresses taxpayer behaviour and motivations. Part 2 is concerned with international evidence regarding the measurement of the underground economy. Part 3 addresses detection, prevention and progress.

It is shown that total enforcement of income tax law reducing income tax evasion to zero is inefficient. Full compliance can only be optimal if the tax structure is rigid.

Cited in Richardson and Sawyer (2001).

Cited in Andreoni et al. (1999), Kirchler (2007) and Richardson and Sawyer (2001).
Abstract in Ahmed et al. (2003), p. 120.
This paper surveys some of the major achievements and failures of economists in the area of tax compliance, considers the reasons for the failures and suggests a number of changes to make the analysis more relevant to current tax compliance issues. In particular economic models must incorporate the variety of control devices used by tax administrations.

It is argued that imperfect income tax compliance implies it is desirable that the supply of public goods should be distorted downwards.

Tax shelters are considered to be structured transactions with little or no independent business purpose. This chapter describes the modern tax shelter, discusses some of its effects and evaluates government use to curb the use of tax shelters.


Cited in Evans (2003a) - empirical work summarized on p. 85.
Cited in Richardson and Sawyer (2001).
Abstract in Ahmed et al. (2003), pp. 39-40 and 129.
Compliance might increase if taxpayers are presented with the right ‘moral appeals’. This paper examines the justification for such appeals.

Cited in Richardson and Sawyer (2001).


Uses the concepts of industry culture and industry economy to examine differential noncompliance with tax law across Swedish industry in the early 1980s.


Cited in Andreoni et al. (1999) and Richardson and Sawyer (2001).
Existing studies report quite different estimates of audit and socioeconomic variables on compliance. This paper synthesizes the published econometric literature on tax compliance and reports estimates of a three-equation model for taxpayers’ reported income and tax liability and for the probability of an audit.

Cited in Evans (2003a).
It is suggested that there may be an incentive for private employers and their employees to collude to understate wages and salaries. Such a possibility is examined with respect to data from North Cyprus.


A survey of 333 tertiary students revealed that eight out of ten demographic factors analysed had statistically significant relationships with the acceptability and incidence of tax evasion behaviour. These were: course, age, ethnicity, qualification, occupation, income, work experience and tax return filing experience. The two that failed to show a statistically significant relationship were gender and employment status.


Discusses the temporary emergence of federal income tax reform as an important issue in the Democratic primaries during the 1972 presidential campaign in the USA.


Bloomquist, Kim M. (2007), ‘An Overview of some recent IRS research on taxpayer compliance behaviour’, in Margaret McKerchar and Michael Walpole (eds.), *Further Global Challenges in Tax Administration*, Fiscal Publications, Birmingham, pp. 159-173. This paper presents some key findings of the Internal Revenue Service’s Office of Research. This includes the latest tax gap estimates for the tax year 2001 and a summary of the findings of several studies on the determinants of compliance – the burden of compliance, enforcement, socio-economic environment and culture.


This chapter explores the use of tax preparers from the perspectives of taxpayers, tax practitioners and tax administrators. It is concluded that taxpayers use tax preparers to reduce uncertainty and save time and effort. The overall effect of using preparers on tax compliance is less clear but compelling evidence exists that they are “rule enforcers but ambiguity exploiters”, p. 217.


This chapter draws on the authors’ experiences from their studies of compliance costs to draw some conclusions about their methodologies. The main results are also presented.


Cited in Andreoni *et al.* (1999).
Cited in Andreoni *et al.* (1999) and Richardson and Sawyer (2001).
Evasion decisions are determined by taxpayers’ perceptions about the fairness of their fiscal treatment with respect to both the government supply of public goods and the perceived behavior of other taxpayers. The extent to which the desired level of evasion is undertaken in practice depends on the coercive powers of the state and taxpayers’ attitude toward risk.

This appendix examines the use of randomized field experiments and certain quasi-experimental designs to assess projects on tax compliance.

The results of the experiment presented in this paper support the view that decision-making by taxpayers involves psychological and moral factors as well as monetary considerations.

Cited in Richardson and Sawyer (2001).

This paper is concerned with one aspect of deterrence – expenditure on inspection.

Tax resistance describes the situation where individuals are willing to benefit from government expenditures but less willing to pay for them. This paper offers a theoretical framework for the definition and explanation of tax resistance.

This chapter concludes that four elements of the Compliance Model of the Australian Taxation Office are all relevant to large businesses. The four elements are i) understanding taxpayer behaviour, ii) building community partnerships, iii) increased flexibility in tax office operations to encourage and support compliance and iv) more and escalating regulatory options to enforce compliance.


This chapter provides a foundation for a conception of the taxpayer as multidimensional and dynamic. It differentiates, both theoretically and empirically, the compliance related actions of taxpayers from their evaluation of the tax system and the tax office. It is concluded that non-compliant actions on the part of the taxpayer must be met by a responsiveness from authority that recognizes and deals with it but at the same time encourages more cooperative motivational postures. Resentment and anger may well exist but the empirical findings presented here suggest there is also likely to be goodwill and acceptance of the rules of the game.
This chapter provides an introduction to the evaluation of reforms involving the Australian Taxation Office in the late 1990s and related issues.


This book contains three parts. Part I is concerned with the relationship between the tax office and the community. Part II turns to the compliance model as change agent. Part III goes beyond the compliance model.


Brooks, Neil (1998), ‘The challenge of tax compliance’ in Chris Evans and Abe Greenbaum (eds.) Tax Administration: Facing the Challenges of the Future, Prospect, Sydney, pp. 7-33. This paper is concerned with explanations of the growth of the underground economy, the economic and social costs of non-compliance, the immorality of tax evasion and theories from different disciplines regarding possible explanations of non-compliant behaviour.


This paper offers a framework to analyze the effects of sources of uncertainty in a model of tax compliance with strategic interaction between auditors and taxpayers.


This paper examines research in the computational social sciences, specifically the combination of multiagent simulations and dynamic social network analysis, and how this could assist the Internal Revenue Service in developing their understanding of taxpayer behaviour.


Cited in Richardson and Sawyer (2001).


Cited in Richardson and Sawyer (2001).


Cited in Richardson and Sawyer (2001).
This paper proposes an approach to the understanding of tax compliance based on behavioural decision theory. It discusses the issue of rationality, explores strategies individuals use to make taxpaying decisions and focuses on the distinction between norm-processing and outcome-processing strategies.

109 university students participated in five studies that examined how cognitive heuristics evoked by descriptive and procedural variables that traditional expected utility models ignore affect tax compliance. The study found that such variables do affect taxpayers’ preferences.

Cited in Richardson and Sawyer (2001).
In this study 71 university students participated in a decision task relating to income tax in which the probability of being caught evading tax and outcome ambiguity were manipulated.

Cited in Evans (2003a) - empirical work summarized on p. 90.


Cited in Richardson and Sawyer (2001).

Cited in Evans (2003a).

Cited in Richardson and Sawyer (2001).

This chapter examines trust and taxation and, since economic behavior is influenced by a variety of psychological factors, whether increasing enforcement activity is the best way to increase compliance. It is also pointed out that while the tax system is probably affected by the level of trust in society, it can itself affect that level of trust.


Cited in Richardson and Sawyer (2001).


Cited in Andreoni *et al.* (1999) and Richardson and Sawyer (2001).

Cited in Richardson and Sawyer (2001).


Cited in Jackson and Milliron (1986).

This paper uses Greece data over the period 1960 to 1997 to establish whether or not the underground economy responds asymmetrically to both direct and indirect tax changes. The results do not support the asymmetry hypothesis.


This paper discusses how changes in legislation and the attitudes of taxpayers, their advisers and the judiciary changed tax avoidance from being legal and acceptable to being illegal and unacceptable.


Coleman, Cynthia and Freeman, Lynne (1994), ‘The development of strategic marketing options directed at improving compliance levels in small business’, paper presented at the conference on *Current Issues in Taxation*, University of Newcastle, Australia.


Coleman, S. (1997), ‘Income tax compliance: A unique experiment in Minnesota’, *Government Finance Review*, vol. 13, pp. 11-15. Cited in Richardson and Sawyer (2001). Abstract in Ahmed *et al.* (2003), p. 25. This article describes the methodology the Minnesota Department of Revenue used for researching strategies to improve tax compliance and summarises the findings from that research. The Minnesota department’s income tax compliance project was recognized in 1996 by the Award for Research and Tax Analysis presented by the Federation of Tax Administrators.


Cited in Richardson and Sawyer (2001).


This paper examines tax shelters and reform.


This paper is concerned with compliance costs and the VAT appeals disputes and enforcement mechanisms in the UK.


Based on social psychology and justice literature this paper develops hypotheses about the conditions under which complexity may affect perceptions of equity and therefore compliance. An experiment was conducted where the subjects assessed different forms of a hypothetical tax provision with identical economic consequences. It was found that the provision’s complexity negatively affects equity assessments only when subjects were prompted with an alternative provision with relatively favourable consequences and then only when no explicit justification for its complexity and relative economic consequences is given.

This chapter presents further experimental evidence that decisions to evade tax involve more than individual wealth-maximizing behavior.


Cummings, Ronald G., Martinez-Vazquez, Jorge and McKee, Michael (2001), *Cross Cultural Comparisons of Tax Compliance Behavior*, Working Paper No. 01-03. Andrew Young School of Policy Studies, Georgia State University.
D


Cited in Kirchner (2007).
This paper is concerned with income tax compliance and ‘tax resistance’, which consists of tax avoidance and tax evasion.

This paper is concerned with the use of computers for initial screening of tax returns for compliance issues and describes some of the advanced algorithmic techniques being tested on the data.

Cited in:
Taxpayers have an incentive to delay their property tax payments when interest rates rise above the penalty rate on delinquent property taxes. The proposition that property tax delinquency should rise as a percent of the tax levy with increases in the interest rate was tested using data from Indiana. The study found that a rise in interest rates causes a significant rise in the delinquency rate. Also, higher unemployment increases the delinquency rate while higher inflation reduces it.

Cited in Andreoni et al. (1999), Kirchner (2007) and Richardson and Sawyer (2001).
Abstract in Ahmed et al. (2003), p. 28.
This study tests several binary logic models using qualitative data from Spanish income taxpayers to establish whether taxpaying behaviour is only influenced by variables traditionally included in decision theory under uncertainty or whether it is also influenced by demographic, socioeconomic and psychological variables. The results are partially in line with classical models of tax evasion – increases in detection and the rates of penalties increase compliance – but it was found that a plurality of individual and sociological variables also help explain the complex behaviour associated with compliance.

Cited in Evans (2003a) - empirical work summarized on p. 87.


Cited in Evans (2003a) - empirical work summarized on p. 87.

This chapter presents the methodology and main results of part of the study undertaken by the Spanish Institute of Fiscal Studies into the compliance costs of the Spanish personal income tax (Diaz and Delgado, 1993).


Cited in Richardson and Sawyer (2001).


This paper reviews existing as well as new theoretical and empirical work.


An empirical analysis of the effects of audit rates and some other factors on the filing of federal individual income tax returns and the self-reporting of tax due using data drawn from the Annual Report of the Commissioner of Internal Revenue and the Statistics of Income for the years 1977-86. The authors estimated that self-reported taxes in 1986 would have been approximately $15 billion higher had the federal audit rate remained at its 1977 level over the period.
Cited in Andreoni et al. (1999) and Richardson and Sawyer (2001).
Found significant deterrent effects of auditing on noncompliance based on empirical evidence in the form of a cross-section data set related to 1969 individual returns complied by the Internal Revenue Service together with data taken from the Annual Report of the Commissioner of Internal Revenue.

This paper examines an interpretive technique applied in the Peterson case (2005) in New Zealand and also the approach of the Supreme Court of Canada in Canada Trustco (2005) and Mathews (2005) and the House of Lords in Barclays Mercantile Business Finance (2005) and finds a degree of similarity between the judicial approaches in these three countries.


Cited in Evans (2003a).


Chapter by a Board Member of HM Customs and Excise which outlines the view of that department with respect to its experience regarding compliance costs.

Cited in Richardson and Sawyer (2001).


This paper discusses to proposals to enhance tax compliance, both of which use prospect theory and are supported by empirical data. The first is the over-withholding of income tax and the second is offering taxpayers a choice between a full, itemized deduction or a considerable overall standard deduction.

Tax evasion seems to consist of at least three conceptually independent aspects that need to be assessed by three independent measures.

Cited in Fischer et al. (1992), Kirchler (2007) and Richardson and Sawyer (2001).


Cited in Andreoni et al. (1999) and Richardson and Sawyer (2001).
In this chapter the influence of tax audits on subsequent year reporting is investigated using Internal Revenue Service data on taxpayers who were the targets of an audit in one year and, purely by chance, were the subjects of a second audit two years later.

Cited in Andreoni et al. (1999) and Richardson and Sawyer (2001).
This paper develops a framework for the joint analysis of tax preparation mode and noncompliance.

This paper presents a joint analysis of tax preparation mode and federal income tax noncompliance using individual level audit data.


Cited in Evans (2003a) - empirical work summarized on p. 82.

Cited in Andreoni et al. (1999), Kirchler (2007) and Richardson and Sawyer (2001).

Cited in Andreoni et al. (1999), Kirchler (2007) and Richardson and Sawyer (2001).
This paper extends the standard expected utility model of tax compliance to include two other issues: the role of moral sentiments, specifically guilt and shame, in taxpayer decision-making and the relationship between taxpayers’ perceptions of audit probability and the true audit probability. The parameters of the model are estimated from a dataset of detailed tax and audit information from the state of Oregon and the US Internal Revenue Service. There is evidence of considerable heterogeneity and a general upward bias in audit perceptions and the importance of the sentiment of shame in explaining reporting behaviour is much more sensitive than the sentiment of guilt to the degree of bias in audit perceptions.

Extends a standard model of tax evasion to account for the existence of ‘ghosts’ (individuals who do not comply with their tax filing requirements) and then examines implications of this extension by using a data set containing detailed tax and audit information for both filers and nonfilers of US federal income tax returns.

Cited in Evans (2003a) - empirical work summarized on p. 81.

Cited in Andreoni et al. (1999) and Richardson and Sawyer (2001).
Develops and estimates an economic model of patterns of tax return audits by the Internal Revenue Service.

Found in their student subjects that following increases in tax knowledge the students considered their own tax evasion as more serious, the perceived fairness in taxation increased and attitudes toward other people’s tax evasion became stricter.

Cited in Richardson and Sawyer (2001).


Cited in Evans (2003a).

Cited in Evans (2003a) - empirical work summarized on p. 91.

This volume is based on papers held in Sydney Australia in April 2000 and is divided into five parts. Part 1 is concerned with developing the methodology. Part 2 addresses compliance costs of specific taxes. Part 3 examines costs in some other countries. Part 4 is devoted to business compliance costs and Part 5 with government responses to the issues of compliance costs.
Cited in Evans (2003a).

Cited in Evans (2003a) - empirical work summarized on p. 89.

Cited in Evans (2003a) - empirical work summarized on p. 89.

This chapter describes the principal outcomes of research conducted to establish and estimate the total compliance costs relating to Federal taxes faced by personal and business taxpayers in Australia. Comparisons are made with some other OECD countries, particularly the UK, USA and New Zealand.

Cited in Evans (2003a) - empirical work summarized on p. 90.
Cited in Evans (2003a).
Taxpayers may view their relationship with government as an exchange relationship whereby taxes are paid in return for the benefits of government expenditure. If taxes are considered to be unfair, tax evasion is a way of adjusting the corresponding terms of trade with government.

Concerned with how the perceived share of public consumption or the perceived fairness of the political and social system affect behaviour regarding tax evasion.

This paper considers the possibility of pecuniary rewards as an economic incentive for taxpaying.

This book is divided into three parts. Part I is concerned with the meaning, measurement and policy implications of underground economies. Part II turns to specific Western developed countries with chapters on the United States, the Netherlands, the United Kingdom, the Federal Republic of Germany, Sweden, Italy, Norway, Canada and France. Part III has two chapters on the underground economy under central planning – one on the Soviet second economy and the other the Hungarian experience.


Feld, Lars P. and Frey, Bruno S. (2007), ‘Tax compliance as the result of a psychological tax contract: The role of incentives and responsive regulation’, *Law and Policy*, vol. 29(1), pp. 102-120. Tax morale is a complex interaction between taxpayers and the government and taxpayers are more likely to comply if they perceive the system to be legitimate and fair. Also, friendly treatment of taxpayers during the auditing process increases compliance.


Fennell, Lee Anne (2006), ‘Hyperopia in Public Finance’, in Edward J. McCaffery and Joel Slemrod (eds.) *Behavioral Public Finance*, Russell Sage Foundation, New York, pp. 141-171. This paper focuses on time preference in relation to public finance. A common view is that people sometimes behave myopically but there are also situations where individuals appear to do the opposite (hyperopia) – weighting future benefits more than present ones. Such behavior seems to offer an explanation, for example, the well-known tendency of some US taxpayers to make interest-free loans to government by accepting overwithholding of income tax followed by a refund after the end of the tax year. There are psychological explanations for hyperopia which add to our ability to analyze time-preference decisions. For example, sometimes individuals seem to prefer improving sequences of, say, consumption rather than flat or declining ones.


Cited in Evans (2003a) - empirical work summarized on p. 82.


Cited in Jackson and Milliron (1986).
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This volume contains papers presented at an Institute for Fiscal Studies residential conference. The collection is divided into three parts. Part I is concerned with administrative issues for the UK tax system in the 1990s, Part II with international issues for tax administration and enforcement and Part III the role and attitude of the courts to tax law and practice against a changing administrative background.


Cited in Jackson and Milliron (1986).


Abstract in Ahmed et al. (2003), p. 112.

This paper discusses the situation with respect to the black market in tobacco in Australia – a by product of the excise tax - and the arguments by some that the tax on tobacco should be increased further to reduce smoking rates, particularly among the young.


Cited in Jackson and Milliron (1986).

Cited in Richardson and Sawyer (2001).

Cited in Richardson and Sawyer (2001).

The authors developed measures of three kinds of the perceived threats of three kinds of punishment – shame, embarrassment and legal sanctions. These were applied to three forms of illegal behaviour – tax cheating, petty theft and drunk driving. The effects of the perceived threats on intentions to break the law were examined in 360 adults. Threats of shame and legal sanctions seemed to inhibit the inclination to commit each of the offences but the findings for embarrassment seemed to be inconsistent with the rational decision-making model.

Using the responses to a question concerning the likelihood of evading income tax, this study found that the threat of shame emanating from religious identity salience is a stronger deterrent than embarrassment.
Cited in Fischer *et al.* (1992) and Jackson and Milliron (1986).
Using an experimental approach in cooperation with the Internal Revenue Service, the authors compared the effectiveness of legal sanctions with ‘appeals to conscience’. Both strategies appeared to increase compliance though the appeal to conscience seemed to be more effective than the threat of legal sanctions.


Cited in Evans (2003a) - empirical work summarized on p. 86.


Cited in Andreoni *et al.* (1999).
Proposes an optimal auditing scheme.


Hansford, Ann and Hasseldine, John (2002), ‘Best practice in tax administration’, Public Money and Management, vol. 22(1), pp. 5-6. This paper present some results from a UK study of tax practitioners – who were members of the Chartered Institute of Taxation - and tax officers working for Customs and Excise.


Cited in Richardson and Sawyer (2001).

Cited in Richardson and Sawyer (2001).

Cited in Richardson and Sawyer (2001).

This paper summarizes, evaluates and reports on the existing professional and research literature on which tax audit strategies are likely to be most effective in enhancing tax compliance.

Cited in Richardson and Sawyer (2001).
This chapter is concerned with specifically with methodological aspects of the study by Sandford and Hasseldine (1992).

Cited in Richardson and Sawyer (2001).


Based on a mail survey of adult taxpayers randomly selected from staff employees at a large US mid-west university, this study found strong gender differences in terms of attitudes to non-compliance, prior admitted tax evasion and hypothetical evasion behaviour and the evidence suggests females have more compliant attitudes than males.


This paper concludes that tax policy makers must consider a blend of response options from economical and psychological models.


Three types of sanctions in communications with taxpayers were tested. The first used legal sanctions – warning that fines or imprisonment may result from tax evasion. The second used informal sanctions – warning of more informal types of penalty that might result – such as the publication of the names of tax evaders. The third type noted the possibility of a bad conscience following evasion. The study found evidence that the communication of informal sanctions may increase hypothetical tax compliance. The appeal to conscience was successful in altering beliefs about the morality of tax evasion.


Cited in Richardson and Sawyer (2001).

Cited in Richardson and Sawyer (2001).

The authors discuss the findings of a series of studies on tax evasion in the Netherlands with special emphasis on the effect of deterrence. They tentatively conclude that non-evaders either need no deterrence, or very little, to keep them from tax evasion. Also, deterrence does not seem to have any effect on ‘habitual’ evaders. If there is, it may be in the wrong direction – there is a positive correlation between being punished for evasion in one year and willful evasion in the following year.


This paper develops a Self-Serving Orientation scale and discusses the results of testing it in two studies.


Cited in Fischer *et al.* (1992) and Richardson and Sawyer (2001).

It is suggested that the government should explore positive approaches to encouraging taxpayer compliance such as emphasizing where taxpayers can get assistance rather than emphasizing penalties. The present study is a behavioural experiment which compares an economic factor – presenting penalty information – with a non-economic factor – presenting information about free taxpayer services.


Cited in Richardson and Sawyer (2001).


Cited in Richardson and Sawyer (2001).
Cited in Richardson and Sawyer (2001).


This paper is concerned with penalties on the promoters of questionable tax avoidance schemes in Australia.


Hopkins-Burns, Virginia, Knottenbelt, Martyn and Bickers, Peter (2010), ‘Building bridges to the community: tax compliance and tax morale in the younger and older age groups – a New Zealand comparison’, paper presented at the 9th International Tax Administration Conference, ATAX, University of New South Wales, Sydney, 7-9 April.


I


Jackson, B. and Milliron, V.C. (1986), ‘Tax compliance research: Findings, problems and prospects’, Journal of Accounting Literature, vol. 5, pp. 125-165. Cited in Fischer et al. (1992), Kirchler (2007) and Richardson and Sawyer (2001). Abstract in Ahmed et al. (2003), p. 136. The authors describe the state of understanding of tax compliance at that time as primitive and suggested that more basic research was needed before we can begin to understand tax evasion. Section I of the paper examines key compliance variables, which are age, sex, education, income level, income source, occupation, peer influence, ethics, fairness, complexity, IRS contact, probability of detection, sanctions, tax rates, and ‘other variables’. Section II is concerned with methodological considerations. Section III turns to theoretical areas relevant to compliance research – prospect theory, deterrence theory, cognitive structures and agency theory. The authors also outlined two general directions for future research – replicating and extending the issues they reviewed in this paper and more emphasis and attention to past research efforts.


James, Simon (1998), The behaviour of revenue services as a variable in tax administration and taxpayer compliance’, paper presented at the 10th International Conference on Socioeconomics, SASE/SABE, Vienna, Austria. Cited in Kirchler (2007). This paper looks at different revenue authorities and links their behaviour to the existing literature on taxpayer compliance.
Two approaches to the academic literature on tax compliance have been identified. One is based on a relatively narrow interpretation of economic rationality and utility maximization and the other incorporates contributions from a much wider range of academic disciplines. This wider approach to tax compliance is described here as the ‘responsible citizen approach’. This paper addresses the description of the term citizen, summarizes the two approaches and offers a classification of the two approaches to tax compliance linked to the economic justification for taxation.


James, Simon, Murphy Kristina and Reinhart, Monika (2005), ‘The Citizen’s Charter: How such initiatives might be more effective’, *Public Policy and Administration*, vol. 20(2), pp. 1-18.

James, Simon, Murphy Kristina and Reinhart, Monika (2005), ‘Taxpayer beliefs and views: two new surveys’, *Australian Tax Forum*, vol. 22(2), pp. 157-188.


This chapter examines the adoption of the Compliance Model by the Australian Tax Office.


This paper reports the results of two experiments which apply two social psychological theories – attribution theory and equity theory – to tax evasion judgment. It was concluded that both theories may be helpful in understanding tax evasion behaviour.

Cited in Richardson and Sawyer (2001).

Cited in Richardson and Sawyer (2001).

This paper is concerned with the relationship between optimal taxation and optimal tax enforcement. Extra revenue can be raised through higher tax rates, which distort behaviour, or more enforcement which may also distort behaviour and involve direct resource costs.

Cited in Richardson and Sawyer (2001).

Cited in Andreoni et al. (1999).

This chapter is mainly focused on estimating cash based income tax evasion.


This paper develops an intersectoral model of income tax evasion with general equilibrium effects.

Cited in Richardson and Sawyer (2001).
The authors set out a broad but tentative typology of compliance and noncompliance.


Strümpel’s (1969) model uses the concept of ‘rigidity of assessment’ to describe aspects of tax enforcement that reflect a deterrence model of social control. Strümpel argued that there were two opposing effects. The first is the expected deterrent effect of fear of getting caught and punishment. The other is that the retroactive, confrontational and coercive aspects of a deterrent approach may have the opposite effect on voluntary compliance. Taxpayers may increase their efforts to evade tax as well as pursuing other forms of tax resistance such as aggressive tax avoidance, increased use of the appeals process and political lobbying to muzzle the tax agency.


Three bodies of data were examined and the results showed that the Tax Reform Act of 1986 in the USA showed an improved normative climate for taxpayer compliance. They demonstrate both the feasibility and the importance of examining the effects of substantive tax policies on taxpayer perceptions, attitudes and behavioural intentions.


Found that taxpayers of higher occupational prestige do not come out ahead in tax audits. Auditors were more likely to invite further discussion of tax issues from high-prestige taxpayers and were less likely to assess additional taxes on their returns. However prestige effects were concentrated among unrepresented taxpayers. When tax practitioners were involved in audits these effects disappeared.


This book contains a thorough examination of behavioural aspects of tax compliance and evasion. There are chapters on tax law, the shadow economy and tax non-compliance; social representations of taxes; tax compliance decisions; self-employment and taxpaying; interaction between tax authorities and taxpayers and ‘cautious conclusions’.


Cited in Andreoni et al. (1999) and Richardson and Sawyer (2001).
Cited in Andreoni *et al.* (1999) and Richardson and Sawyer (2001).
The authors explore the effects of deterrence on tax noncompliance.


Cited in Richardson and Sawyer (2001).

Klepper, Steven and Nagin, Daniel (1989d), ‘The role of tax preparers in compliance’, *Policy Sciences*, vol. 22, pp. 167-194
Cited in Richardson and Sawyer (2001).

On the basis of a survey of 163 evening masters degree students concerning a hypothetical taxpayer, substantial evidence was found that the perception of prosecution risk had a powerful deterrent effect and also that there was a severity effect.

Cited in Richardson and Sawyer (2001).

Cited in Jackson and Milliron (1986).


This book provides a thorough account of one of the most famous acts of non-compliance and its context - beginning with a chapter on the colonial tea trade and ending with one on the route to revolution.


Abstract in Ahmed et al. (2003), p. 179.
This paper extends the literature on tax evasion by following a new approach in modeling the decision to evade income taxes. The main contribution is to introduce the option of investing in a risky asset as an alternative to tax evasion.


This book is divided into five parts. Part I provides a chapter on the background, another on tax principles and tax research in relation to psychology and a third on methodological issues and ‘rational economic man’. Part II is concerned with attitudes to taxation and public spending, referenda, public opinion and fiscal policy-making. Part III turns to attitudes and behaviour with respect to tax evasion and avoidance. Part IV looks at other areas of fiscal psychology research with a chapter on simplicity and comprehensibility and another on work motivation and taxation. Part V has a chapter on psychology and fiscal policy and a concluding chapter.


This paper considers possible managerial benefits, such as improved information systems and improved controls, which a small business taxpayer may gain as a result of undertaking tax compliance work.


Cited in Evans (2003a) - empirical work summarized on p. 90.

Cited in Andreoni *et al.* (1999) and Richardson and Sawyer (2001).

Cited in Richardson and Sawyer (2001).
An investigation into the role of legal complexity in forming taxpayer compliance.

This paper reviews taxpayer compliance research and considers specific, definitional and measurement issues raised.
Cited in Richardson and Sawyer (2001).

This study used a repeated survey design to examine the effect of the introduction of self-assessment in Malaysia on taxpayers’ compliance behaviour. It was found that tax knowledge had the most effect and other factors that had some influence were the tax structure, attitudes towards fairness of the tax system and the tax administration.


This paper reports some results from modelling tax agent behaviour using a distance-from-the centroid (DFC) method with assistance from a genetic algorithm (GA). DFC is an example of ‘instance-based learning methods’. These use high-risk cases, or instances, to see if other cases have similar practice profiles.

This paper outlines the challenges facing the Internal Revenue Service in the USA and the main measure being used to combat fiscal evasion.


This paper analyses the optimal tax evasion decision in the context of an oligopolistic market with quantity setting firms.

Cited in Richardson and Sawyer (2007).

Cited in Richardson and Sawyer (2007).


Cited in Richardson and Sawyer (2007).

Nearly one in four of a sample survey of 800 Oregon Adults admitted they practiced tax evasion. Higher percentages were found for individuals who were young, with low income, male and who believed their chance of getting caught was low. Belief that the tax system was unfair was unrelated to noncompliance and the deterrent effect of penalties seemed uncertain.
The relationship between perceived unfairness of a tax system and compliance may not be a simple or direct one and the data suggest that compliance norms must be neutralized and fear of sanctions weakened before noncompliance occurs.


The editors sketch out three broad clusters of questions which are addressed throughout this collection of papers. The first is that form matters – for instance different taxes may cause different types and levels of psychic discomfort. The second is concerned with time inconsistency and problems of self-control – similar to what Pigou once famously described as a perverted telescopic faculty. The third cluster relates to the willingness of citizens to act in the public interest, even when it may not appear to be in their own immediate self-interest, for example, by paying their taxes to a large extent without the need for an unduly coercive tax regime.

Cited in Richardson and Sawyer (2007).
Abstract in Ahmed et al. (2003), p. 66.
This paper reports the preliminary results of an experiment testing responses of taxpayers to videotaped message emphasizing normative issues and personal consequences related to taxes.

Cited in Richardson and Sawyer (2007).

It was found that many of a sample of 200 small businesses in a rural community thought they had a satisfactory level of tax knowledge but their responses to a broad range of questions indicated they did not. Therefore it may be that many small businesses are unintentionally noncompliant because they do not realize they have sufficient knowledge of the tax system. Knowledge levels can be improved if small businesses taxpayers can be convinced of their ‘need to know’.


Cited in Jackson and Milliron (1986).


Cited in Kirchler (2007) and Richardson and Sawyer (2007).

This paper is concerned with individuals’ tax noncompliance by an examination of CPAs’ perceptions of seven key compliance features: deductions permitted, Internal Revenue Service information services, withholding and information reporting, tax preparer responsibilities and penalties, the probability of audit, tax rates and taxpayer penalties. The results indicate that CPAs consider reducing tax rates to be the single most important feature for increasing tax compliance. The paper also assesses the results in the light of the competing perspectives of economic deterrence and fiscal psychology and found them to be consistent with the latter. The authors concluded therefore that the key to improving tax compliance is tax reform not increasing penalties.


Cited in Jackson and Milliron (1986).


Based on survey data from 2,301 investors in schemes subsequently restricted by the Australian Tax Office and 2,040 taxpayers from the general population found that the former were disillusioned with the tax system and more likely to be hostile and resistant towards the ATO. Discusses possible improvements in the way the aggressive tax planning might be dealt with.

Reported the results of in-depth interviews conducted with 29 investors in ‘tax effective’ schemes that were subsequently regarded by the Australian Tax Office (ATO) as an abuse. In line with the procedural justice literature, the study found that many scheme investors defied the demands of the ATO because the procedures it used to deal with the situation were thought to be unfair.


Cited in Richardson and Sawyer (2007).
This paper examines seven categories of enforcement instruments for dealing with noncompliance aiming to summarize what is known about each and to delineate criteria for evaluating the desirability of enforcement interventions of each type. Several themes emerge, one of which is that a relevant dimension of effectiveness is equity.

Cited in Evans (2003a) - empirical work summarized on p. 86.


Oats, Lynne and Tuck, Penelope (2008), ‘The increasing use of financial reporting specialists to secure tax compliance: a UK study’, *Safe Harbours and New Horizons*, 8th International Tax Administration Conference, Faculty of Law, University of New South Wales, 27-28 March, Sydney.


Abstract in Ahmed et al. (2003), p. 87.

A discussion of tax avoidance.


Cited in Evans (2003a).


This chapter includes a section on the need of small businesses for special consideration and the observation that ‘You have to make the system a lot simpler for such people if you expect them to comply easily’, (p. 357). It is also suggested that new approaches to compliance are needed.

This chapter reports on the first phase of the New Zealand Inland Revenue’s programme of tax compliance cost research – a survey to benchmark the compliance costs of small and medium sized businesses in October 2004.


A wide ranging examination of the compliance costs of the US tax system identifying 30 different kinds of cost. There are chapters on compliance costs; enforcement costs relating to audits and correspondence, litigation and forced collections; disincentive costs; governmental costs; emotional, moral and cultural costs and the culture of taxing.

Cited in Andreoni et al. (1999), Fischer et al. (1992) and Jackson and Milliron (1986).

Cited in Andreoni et al. (1999).

Abstract in Ahmed et al. (2003), p. 177
This paper analyses occupational choice and labour supply arising from variations in the tax structure within a setting of uncertainty and tax evasion.
This paper is concerned with the effects of banning contingent fees for tax return preparation services.

A proposal to rethink approaches to compliance.

An analysis of survey and tax return information from 440 taxpayers demonstrated that individuals reporting greater commitment to comply with tax law systematically overestimate the chances of being caught if they evade taxes, thus making self-interest calculations about tax evasion consistent with perceived citizenship obligations.

Cited in Evans (2003a) - empirical work summarized on p. 81.
For a discussion of the report, including a summary of the methodology and main findings, by the Chief of the GST – General Operations Section, Department of Finance, Canada see Wurts (1995).

Cited in Evans (2003a) - empirical work summarized on p. 82.


Cited in Evans (2003a) - empirical work summarized on p. 83.
Cited in Evans (2003a) - empirical work summarized on p. 83.


This chapter presents a framework for identifying the proper balance between different objectives of the Internal Revenue Service (IRS). The authors conclude that taxpayers’ compliance is much higher and their compliance costs much lower than if there were no IRS at all but significant opportunities for greater effectiveness remain.

Abstract in Ahmed et al. (2003), p. 177.
This paper analyses the effects of fixed and variable costs on the optimal fine and the optimal probability of detection. It is demonstrated that the optimal fine rises to reflect variable enforcement costs but is not directly affected by fixed enforcement costs. Optimal probability depends on fixed and variable costs of enforcement.


Cited in Andreoni et al. (1999) and Kirchler (2007).


Pope, Jeff (1994), ‘Policy implications arising from compliance cost of taxation research’, *Australian Tax Forum*, vol. 11(1) Abstract in Ahmed et al. (2003), pp. 97-98. This paper discusses the major policy implications arising from five major studies estimating the compliance costs of taxation in Australia.


Cited in Evans (2003a) - empirical work summarized on p. 88.
Presents the results of a mail questionnaire survey of over a thousand individual taxpayers.

Pope, Jeff and McKerchar, Margaret (2010), ‘The concept of tax morale and its role in tax compliance behaviour’, paper presented at the conference of the Tax Research Network, Bangor University, 7-8 September.


Cited in Jackson and Milliron (1986).

A survey was undertaken of 142 taxpayers to establish the extent of their tax evasion and to measure each of 18 variables that might affect tax evasion. The results indicated that the variables affected different types of tax evasion differently and not all the variables included significantly influenced tax evasion.

On the basis of survey data and regression analysis, this study analyzed linkages between judgment criteria and fairness perceptions of tax provisions for tax practitioners and individual taxpayers. The study found that the groups differed substantially and equal treatment was the judgment criterion most frequently linked to tax provisions.


Examines the claim by some tax authorities that using income tax information for other purposes, such as the administration of welfare benefits, would reduce voluntary tax compliance. A theoretical analysis suggests that some effect is possible but likely to be small and a brief review of experience in several administrations found no evidence that wider use of tax information has a significant effect on tax compliance.


This paper is concerned with why individuals evade their tax obligations and what policies governments could pursue to deal with tax evasion. Theoretical attempts to model behaviour by individual taxpayers are examined and empirical evidence from attitudinal surveys, tax games and econometric studies are reviewed.
Cited in Evans (2003a) - empirical work summarized on p. 90.


Found that tax ethics is highly significant in decisions about tax evasion and may be a missing variable in decision-making models.

Compares an alternative ‘audit cutoff’ policy, in which an audit is triggered if reported income is ‘too low’, with the standard random audit policy.

Cited in Andreoni *et al.* (1999) and Richardson and Sawyer (2001).


Riahi-Belkaoui, Ahmed (2004), ‘Relationship between tax compliance internationally and selected determinants of tax morale’, Journal of International Accounting, Auditing and Taxation, vol. 13, pp. 135-143. This study presents empirical evidence from 30 countries that suggest tax compliance is highest in countries characterized by high economic freedom, important equity markets, effective competition laws and low serious crime rates.


Cited in Richardson and Sawyer (2001).
This study consisted of a simulation using a group of self-employed people and a group of government officials. It found no behavioural differences between the two groups – both were equally non-compliant.


Using student subjects in an experiment framed as a business simulation this study finds support for two propositions. The first is that having to pay more tax after insufficient tax has been withheld will lead to more evasion than receiving a refund after too much tax has been withheld. The second was that greater opportunity to evade taxes will lead to higher levels of evasion.

Cited in Andreoni et al. (1999), Fischer et al. (1992) and Kirchler (2007) and Richardson and Sawyer (2001).


Roth, Jeffrey A. and Scholz, John T. (eds.) (1989), *Taxpayer Compliance: vol. 2, Social Science Perspectives*, University of Pennsylvania Press, Philadelphia. This volume contains 8 papers:
- Compliance research and the political context by John T. Scholz
- Taxpayer behaviour in social context by Robert Kidder and Craig McEwen
- On the visibility of income tax law violations by Robert A. Kagan
- The criminal deterrence literature: Implications for research on taxpayer compliance by Steven Klepper and Daniel Nagin
- Complexity, compliance costs and tax evasion by Joel Slemrod
- The effect of tax advisers on tax compliance by Suzanne Scotchmer
- Social motivations to comply: Norms, values and principles by Robert B. Cialdini
- A cognitive-process analysis of taxpayer compliance by John S. Carroll

Roth, Jeffrey A., Scholz, John T. and Witte, Anne Dryden (eds.)(1989), *Taxpayer Compliance: vol. 1: An Agenda for Research*, University of Pennsylvania Press, Philadelphia. This report examines the state of knowledge of individual’s compliance with federal income tax requirements and how that knowledge could be extended. There are also appendices on statistical issues in modeling taxpayer compliance and experimental designs in compliance research.
Cited in Richardson and Sawyer (2001).


Cited in Andreoni *et al.* (1999).


Cited in Evans (2003a).


Cited in Evans (2003a).


Cited in Evans (2003a) and Richardson and Sawyer (2001).


Cited in Evans (2003a) - empirical work summarized on p. 84.


Cited in Evans (2003a) - empirical work summarized on p. 84.


Sapari, Afidah, Loo, Em Chen and McKerchar, Margaret (2010), ‘A critical review of ethics and moral dilemmas in tax compliance research’, paper presented at the 9th International Tax Administration Conference, ATAX, University of New South Wales, Sydney, 7-9 April.


Sawyer, Adrian (2008), ‘SMEs in New Zealand: is a new era in the tax compliance environment on the horizon?’ Safe Harbours and New Horizons, 8th International Tax Administration Conference, Faculty of Law, University of New South Wales, 27-28 March, Sydney.

Cited in Richardson and Sawyer (2001).


Cited in Richardson and Sawyer (2001).

Cited in Richardson and Sawyer (2001).
Abstract in Ahmed et al. (2003), pp. 113-114.
Reforms to target specific planning strategies may or not be success – depending on ‘frictions’ such as transaction costs are sufficient to prevent taxpayers from adjusting their strategies to avoid the reform.


This chapter is concerned with the constraints on the enforcement of tax laws in the American political context.

Cited in Richardson and Sawyer (2001).

Abstract in Ahmed et al. (2003), p. 27.
The paper uses a regression analysis of survey and tax return data for 445 taxpayers. The subjective risk of getting caught is more closely related to duty than to objective risk factors. Objective audit probabilities affect only taxpayers with greater temptation to evade, but duty influences tempted taxpayers as much as other taxpayers.


Cited in Andreoni et al. (1999).

With optimal audit policy some taxpayers will not resolve their uncertainty and optimal policy yields higher net revenue with uncertainty than without.

Abstract in Ahmed et al. (2003), p. 177.

Cited in Andreoni et al. (1999).
When there is tax evasion, increased randomness about how much taxable income an auditor would assess generally leads to higher reported income and more revenue.

Cited in Jackson and Milliron (1986) and included in the annotated bibliography in Fischer et al. (1992), p. 42.

Cited in Jackson and Milliron (1986).

Abstract in Ahmed et al. (2003), pp. 145-146.


This contribution focuses on efficiency aspects of tax evasion, such as tradeoffs between enforcement and penalties and examines issues of horizontal and vertical equity.

Abstract in Ahmed et al. (2003), pp. 185-186.

Cited in Richardson and Sawyer (2001).

Cited in Andreoni et al. (1999).

Cited in Andreoni et al. (1999), Kirchler (2007) and Richardson and Sawyer (2001).

Cited in Evans (2003a) - empirical work summarized on p. 82.


Cited in Andreoni *et al.* (1999) and Evans (2003a) - empirical work summarized on p. 80

Cited in Evans (2003a) - empirical work summarized on p. 83.

Cited in Andreoni *et al.* (1999).


Cited in Richardson and Sawyer (2001).
The author uses decision research to outline a sequential decision-making model.
Hypotheses from the model are supported by survey data on income tax noncompliance.

Cited in Andreoni *et al.* (1999) and Richardson and Sawyer (2001).
The authors’ framework for taxpaying research emphasizes that compliance is as problematic as noncompliance, that individuals have different opportunities and that taxpaying does not necessarily involve deliberate decisions. Both the process of decision-making and the content of decisions must be studied. The content of compliance decisions are affected by four clusters of factors: material consequences, normative expectations, socio-legal attitudes and beliefs and expressive factors.

Previous research suggests that respectful treatment and praise may be more effective incentives than materialistic incentives for achieving long lasting compliance because people have a strong tendency to reciprocate actions they receive from authorities. This paper draws on learning and social psychological research to identify the processes by which positive incentives induce compliance using tax as a specific example.

This study uses data from pre-audit interviews with taxpayers and state tax auditors to explore how characteristics of tax disputes, the roles of the parties, citizens’ perceptions of the attitudes and orientations of officials and other factors affect the strategies officials and taxpayers prefer for resolving disputes.

Smulders, Sharon and Naidoo, Gelishan (2010), ‘Small business tax compliance burden – is the South African revenue service building bridges, roads or pathways to alleviate this burden?’ paper presented at the 9th International Tax Administration Conference, ATAX, University of New South Wales, Sydney, 7-9 April.

Abstract in Ahmed et al. (2003), pp. 103-104.
A distinction is made between coercive compliance policies and those that emphasize developing taxpaying values among citizens through service improvement and informational strategies. The paper examines the utility of service and values based policies and the need for increased investment in these areas of tax administration.


Cited in Richardson and Sawyer (2001).
Abstract in Ahmed et al. (2003), pp 136-137.
Reviews research on tax evasion from a number of disciplines. It is argued that economic models do not explain empirical findings which suggest the importance of non-maximizing behavior and social norms of compliance.

Existing literature has discussed the desirability of tax evasion. This paper argues that an economic analysis of this issue would be better framed within a constitutional framework which is developed drawing on the work of Brennan and Buchanan.


Cited in Fischer* et al.* (1992)


Abstract in Ahmed et al. (2003), pp. 15-16.
To examine the possible ripple effects of enforcement contacts on the general population’s support for the tax authorities the authors compared what a sample of 237 taxpayers said happened in their tax audit interviews with what they told members of their social network. As individuals are concerned with others’ images of them this may weaken a bias towards negative messages. The results indicated that messages about fairness of decision-making, favourable outcomes and dignity more closely approximated the distribution of the audited taxpayers’ perceptions. A bias was found in two situations – in messages about instrumental quality and on the rare occasions when taxpayers were subject to undignified treatment but there was a favourable outcome.

Cited in Richardson and Sawyer (2001).


Cited in Richardson and Sawyer (2001).

Cited in Evans (2003a) - empirical work summarized on p. 83.
Abstract in Ahmed et al. (2003), pp. 16-17.
This chapter aims to provide a cognitively informed account of how citizens respond to new tax laws emphasizing the cognitive processes of adaptation.


Cited in Andreoni et al. (1999).

Abstract in Ahmed et al. (2003), p. 137.


Cited in Richardson and Sawyer (2001).

This chapter argues for a social-psychological approach to taxpayer behaviour that aims to show that attitudes towards paying tax are not stable, but determined by how one defines oneself in relation to the tax system, the tax authorities and other groups of taxpayers. It concludes that understanding how taxpayers perceive themselves in the tax system is necessary to understand the motivations that underlie taxpaying behaviour.


Tillinghast, David R. (2004), ‘Issues of international tax enforcement’, in Henry J. Aaron, and Joel Slemrod, (eds.), The Crisis in Tax Administration, Brookings Institution Press, Washington DC, pp. 38-57. This chapter considers issues concerning limited access to information by the Internal Revenue Service, strategies for obtaining information, the need to work with foreign tax agencies and complexity.
Cited in Jackson and Milliron (1986) and Richardson and Sawyer (2001).

Survey of the perceptions of Australian tax practitioners and tax officials about the Taxation Ruling and Advance Opinion Systems.

Cited in Richardson and Sawyer (2001).
Discusses the role of tax practitioners – not only as intermediaries between the taxpayer and the authorities but also in terms of the influence they may have on the ethical climate and level of compliance – with reference to data derived from an empirical study of Australian tax practitioners and tax officials.

This paper is concerned with two responses to tax avoidance schemes. The first is the civil penalty model whereby promoters of inappropriate tax exploitation schemes may be subject to penalties – an approach used in Australia and New Zealand. The second is the disclosure model whereby promoters have to disclose tax schemes to the revenue authorities before marketing them – an approach used in Canada, the USA and the UK.


This book draws on previously published papers but much is revised and updated. It is divided into three parts: Part I has three chapters on the background and research overviews. Part II has four chapters on ‘What shapes tax morale?’ and Part III has two chapters on tax policy strategies - the first is concerned with moral suasion and the second with tax amnesties and political persuasion.


A comment on Turner et al. (1998).


Tran-Nam, Binh, Evans, Chris, Walpole, Michael and Ritchie, Katherine (2000), ‘Tax compliance costs: Research methodology and empirical evidence from Australia’, *National Tax Journal*, 53(2), pp. 229-252. This paper focuses on the methodology of estimating taxation compliance costs and also reports some aggregate empirical findings.


Cited in Richardson and Sawyer (2001).


Cited in Evans (2003a) - empirical work summarized on p. 81.
See also Vaillancourt (1995).

Cited in Richardson and Sawyer (2001).
This chapter presents the methodology and results of part of the study carried out fro Canada in 1986 of compliance costs of the personal income tax and payroll taxes (Vaillancourt, 1989).

This chapter presents a methodology for estimating the evolution of tax compliance costs in the absence of survey data and applies it to Canada.

This paper examines the utility of deterrence theory for criminal justice in the context of tax evasion. Canadian survey data from 1,908 telephone interviews were examined. The results suggest that perceived penalties are not as important to decisions about tax evasion as are perceptions of the possibility of being caught.


This paper analysis the determinants of compliance costs and their effect on intra-EU trade intensity.

Cited in Richardson and Sawyer (2001).

This paper proceeds on the realistic assumption that if a taxpayer is subject to an audit it does not always detect the full extent of evasion. A rational revenue maximizing tax authority will consider the costs of audit and residual tax evasion will result.

Abstract in Ahmed et al. (2003), pp. 32-33.
This study used public statistics on income taxation, telephone interviews with male representatives of Swedish households and questionnaires sent to the same respondents after the telephone interview. The study found evidence that marginal tax rates do influence tax evasion.

This study replicates Kahneman and Tversky’s (1979) research on prospect theory to ascertain its applicability to the New Zealand tax system.


Cited in Andreoni et al. (1999).
Abstract in Ahmed et al. (2003), p. 68.
This study has three main elements – possible improvements to the income tax, the appropriate balance between direct and indirect taxes and the choice of the means of levying an indirect tax.

Tax evasion occurs not only because taxpayers have the opportunity to evade but also a desire or motivation to do so. In 1982 information was collected to test various hypotheses about taxpayers’ motivations. This research in this report repeated the survey work conducted in 1982 to establish what effects subsequent administrative and substantive reforms to the Australian tax system may have had on tax evasion.


The research reported in this chapter aimed to explore issues relating to compliance costs and burdens. The methodology was based on a pattern of an initial interview with a small business followed by four subsequent quarterly interviews. The findings of this research suggest that too much might have been made of the costs and problems of complying with government regulation.


This paper provides an overview of how electronic commerce might impact on the Australian income tax system including compliance as a major issue.


This chapter examined three value added tax studies and concluded that both perceptions of fairness and mental accounting (the way people think about money and its ownership) help explain compliance with the value added tax.


Cited in Fischer et al. (1992) and Richardson and Sawyer (2001).

Two experiments using members of the general public as subjects to explore aspects of tax evasion.

Cited in Andreoni et al. (1999), Kirchler (2007) and Richardson and Sawyer (2001).

Cited in Fischer et al. (1992) and Kirchler (2007).

Cited in Andreoni et al. (1999).

This chapter concentrates on considerations of justice and fairness that could influence taxpayers’ evaluations of the tax system and therefore their decisions regarding compliance. It also offers a conceptual framework for such considerations based on conceptual distinctions made in social psychological justice research. It is concluded that an explanation of taxpayer behaviour based purely on self-interest is insufficient.


Abstract in Ahmed *et al.* (2003), p. 188.


This chapter discusses a new approach by the Australian Customs Service which not only recognizes the need to balance enforcement with assistance but also recognizes the benefits of providing industry with incentives to comply. A key element is allowing highly compliant companies more latitude to self-assess their revenue liability by relying mainly on their internal accounting systems and procedures.

An economic model of tax compliance is developed and estimated. It was found that increases in the probability of audit, information reporting and tax withholding will be likely to increase compliance. However, increasing moral ambivalence toward tax compliance will increase non-compliance. It was also found that the decline in audit rates in the 1970s may have accounted for a substantial portion of the decline in compliance during that period.

The paper is based on interviews with auditors of the Australian Tax Office.

Cited in Evans (2003a).


Two procedural constructs – consistency and accuracy – are examined using an experiment. It was found that procedural injustice experienced indirectly by becoming away of the unfair treatment of another increased the level of noncompliance. However procedural injustice experienced personally – either by being subject to inconsistency in enforcement or to enforcement attempts resulting from inaccurate information did not increase the level of noncompliance.

Considers the possibility that withholding tax on employees’ wages might encourage evasion of taxes on income not subject to withholding through non-filing of individual returns and also employers may pass less to the tax authorities less than the amounts withheld.

It is sometimes possible to evade taxes by claiming that income coming from one source came from a source that was more lightly taxed. The paper focuses on the relationships between misreporting and taxation under alternative penalty schemes. Allowing the taxpayer the choice between source misreporting and pure under-reporting, the paper also examines the relative amount of tax escaping the tax collector through the alternative forms of evasion and determines the conditions under which one will be preferred to the other.


Abstract in Ahmed et al. (2003), pp. 77 and p120.
This note develops a general model of tax evasion and applies the results to payroll tax evasion.

Cited in Fischer et al. (1992).


