Improving tax compliance through behavioural insights

Two randomised trials conducted by BETA and ATO

Sherolea Leonidas (ATO) and Su Mon Kyaw-Myint (BETA)

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Outline of the presentation

- Introduction
- Background
- Email designs
- Trial design
- Results
- Limitations/ Learnings from the field
- How the findings have been applied in ATO

Email Designs

PRE TRIAL: DEFERRED GST (DGST) SCHEME
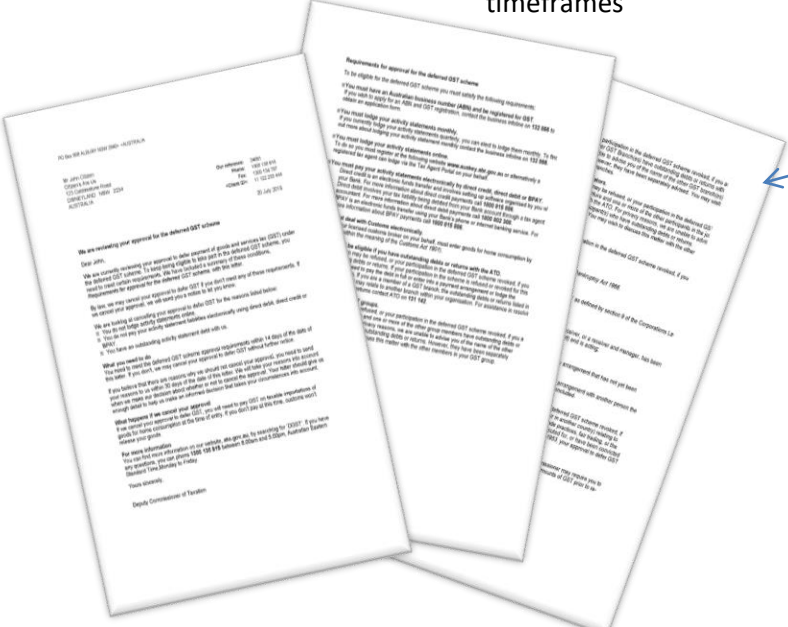
DGST Pre Trial Process

Manual Checks of data and Siebel case creation for compliance reviews

Clients phoned by operatives to advise of non compliance

White mail issued by operatives to confirm compliance review and timeframes

Manual review to check if compliant

White mail issued by operatives and systems updated for revocation or acknowledgment
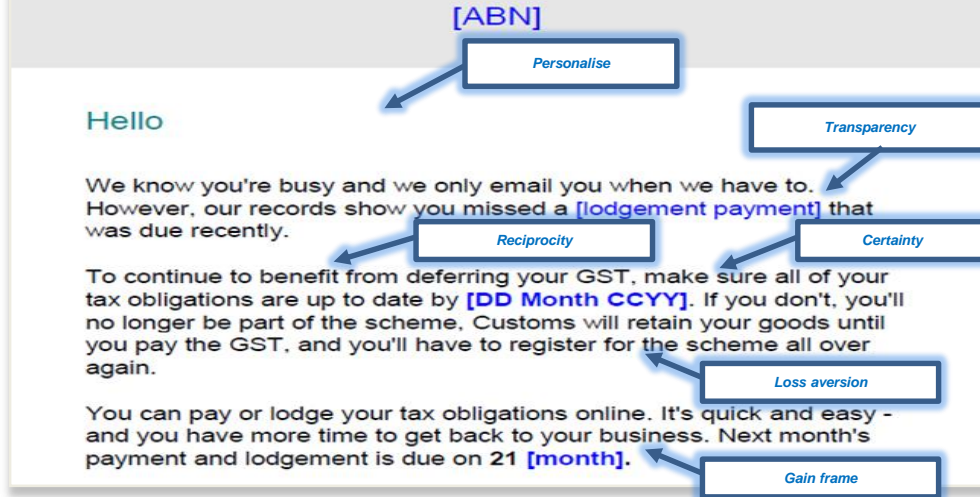
Pre Trial Letter
- 3 page convoluted letter
- Clients had lack of understanding of what their obligations were to participate and remain in the scheme
- White mail could take several days to receive and give minimal time to comply

ENCOURAGING COMPLIANCE: DEFERRED GST (DGST) SCHEME

Trialled two different emails to encourage business participants in the DGST Scheme to comply, enabling them to continue receiving the benefits of the Scheme.

# Trial Design

How is compliance measured?

Businesses were non-compliant on a particular day if they met one or more of these conditions:

- debt exceeding payment arrangements
- active insolvency
- not lodging monthly
- not lodging via online portal
- overdue Business Activity Statement (BAS)
- overdue Fringe Benefits Tax (FBT) returns and/or
- overdue Income Tax Returns (ITR)

Trial 1: Non-compliant businesses

Non-compliant businesses meeting eligibility criteria

Excluded businesses
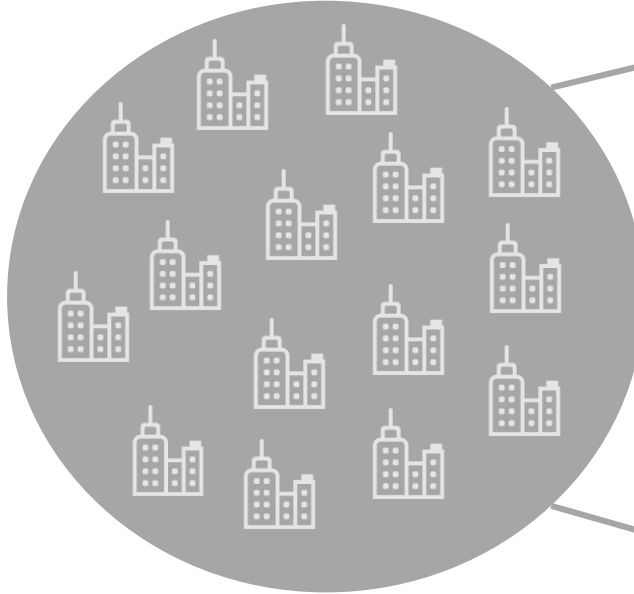
Control

Treatment 1

Treatment 2

Follow-up period - 21 days

Trial 1: Non-compliant businesses

- Four batches recruited over two months
- Randomised into triplets
- Outcome measures:
  - Compliance after day 14 (the letter gave them 14 days to comply)
  - Compliance after day 21
  - Time to compliance
  - Client account balance
  - Calls made to the ATO

Trial 2: New businesses

New businesses entering the DGST scheme

Control

Treatment

Follow-up period - 60 days
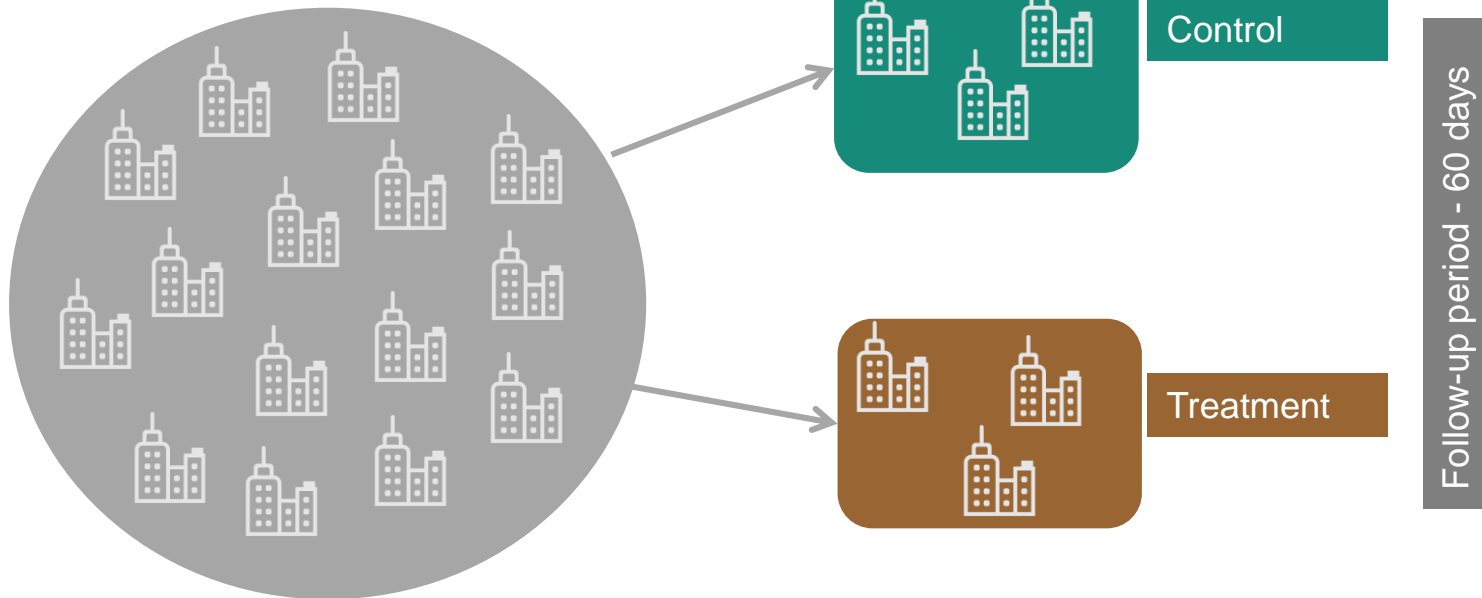
Trial 2: New businesses

- 12 batches recruited over three months
- Simple randomisation by the Australian Business Number (ABN)
- Outcome measures:
  - Compliance for all 30 days
  - Compliance for all 60 days
  - Client account balance
  - Calls made to the ATO

Analyses

- Both trials were pre-registered
- ITT analysis using:
  - o daily compliance data
  - o pre-trial baseline characteristics
  - o payment and calls made during the follow-up period
- OLS and survival analysis

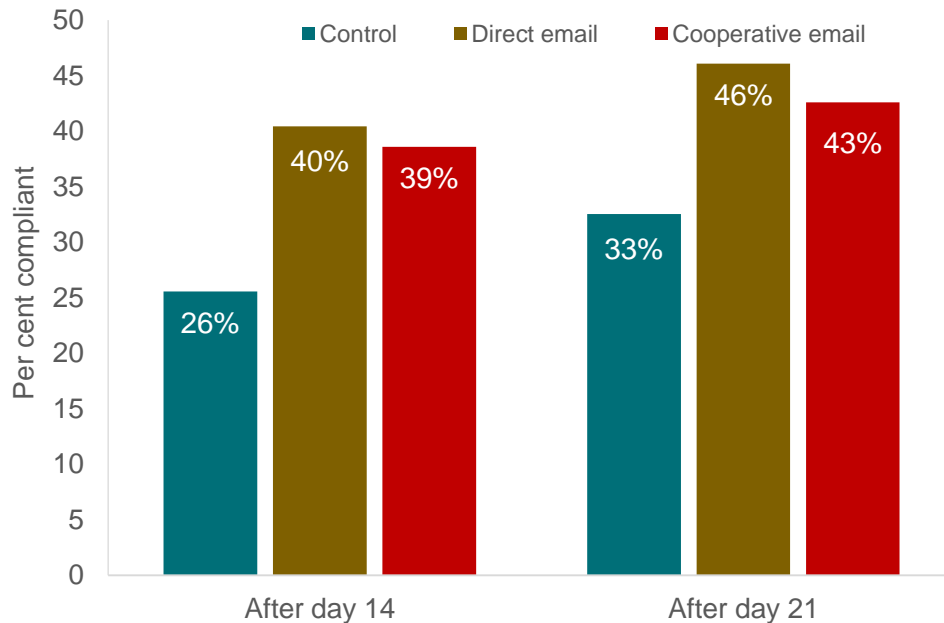## MAKING IT LESS TAXING - BETTER COMPLIANCE WITH DEFERRED GST
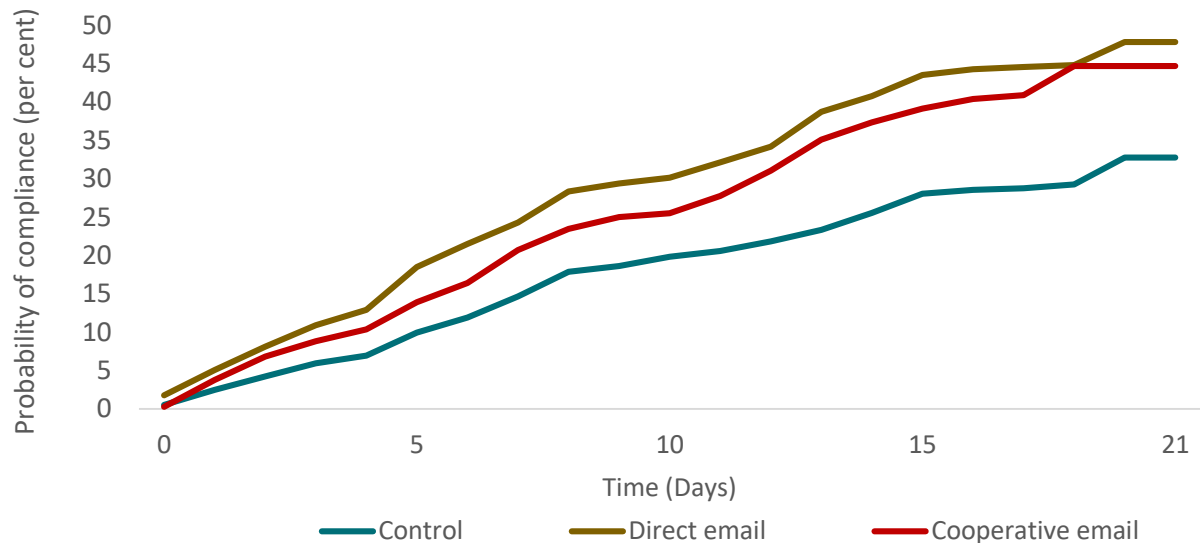
Complete

Partner agencies:

Australian Taxation Office

Registration date: Friday, 5 May 2017
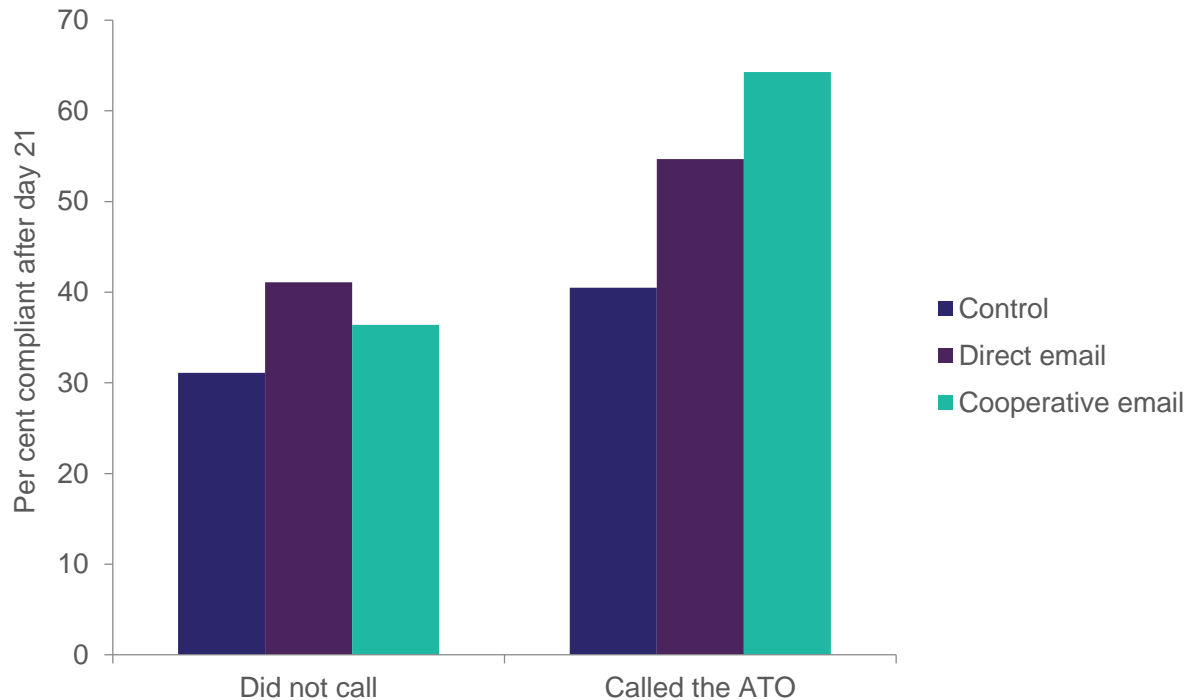
Results: Trial 1- Compliance

Time to Compliance

Calls to the ATO

Overall:
- The email groups were more likely to contact the ATO than the control group on average

Results: Trial 2- New businesses

- Similar level of compliance over 30 days and 60 days
- No differences in payment made
- No differences in calls made

Limitations

- Persistence of intervention effects
- Effect on payment- possible that only affected GST payment and not other payments
- Encouraging non-compliant businesses to comply may be easier than ensuring compliant businesses remain compliant

Personal learnings from the field

- Administrative tax data and tax requirements are complex for someone new to the field of tax
  - When you think you got it, try again!
- Optimism bias
- Stratification or matching by business size for non-compliant businesses
- Long term effect on non-compliant businesses

Application of the findings in the ATO

Acknowledgments

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THANK YOU