

## Overview

- Academic and applied research has witnessed increasing interest in how social norms of tax compliance influence individuals to comply with tax obligations
- Survey work finds a consistent correlation between perceptions of evasion among other taxpayers and individuals' attitudes towards evasion
- Understanding the importance of social norms, tax administrations have become increasingly interested in social norms campaigns to achieve higher compliance levels
- Given the wide-ranging but sometimes disparate interests in social norms, we considered useful an **overview of conceptual and practical issues surrounding social norms and tax compliance**

## Conceptual issues

### Types of social norms

- There are multiple types of social norms: descriptive norms (what people do), injunctive norms (what people approve of), subjective norms (those held by close friends and family)
- Although these norm types are distinct and impact differently on behaviour, tax researchers have used 'social norms' without distinguishing the different types
- Further research is needed to assess the distinct impact of these norm types on tax compliance

### Group norms

- Social norms tax research has mostly looked at national taxpaying norms
- More recently, researchers have started to investigate taxpaying norms in different occupations
- Taxpayers are shown to be influenced by group norms only when they identify highly with the group, but the effect is not consistent across group types
- Further research is needed to look at which group types (e.g., national, profession, region, etc.) are most relevant to tax compliance

### Facilitators of social norms

Previous research suggests the following facilitating conditions for social norms influence:

- Communication between group members
  - Identification with the group
  - Importance (centrality) of taxpaying to the group
- Further research is needed, in particular to explore the role of communication – why is it that communication facilitates compliance? What information do taxpayers transmit when discussing tax?

## Practical issues

### Social norms campaigns

There have been a small number of tax compliance campaigns based on social norms communication:

#### 1) 1995 Minnesota Tax Experiment

*"According to a recent public opinion survey, many Minnesotans believe other people routinely cheat on their taxes. This is not true, however. Audits by the Internal Revenue Service show that people who file tax returns report correctly and pay voluntarily 93 percent of the income taxes they owe. Most taxpayers file their returns accurately and on time. Although some taxpayers owe money because of minor errors, a small number of taxpayers who deliberately cheat owe the bulk of unpaid taxes."* (from letter to taxpayers)

#### 2) Michael Wenzel and ATO, 2001

*"Hence, these results reveal an interesting paradox. The average of all the personal views that we received sums up what most people actually think, and this contrasts sharply with what they think most people think. Most people actually agree that honesty, responsibility and truthfulness are important when paying our taxes."* (from letter to taxpayers)

#### 3) Behavioural Insights Team and HMRC, 2011

*"9 out of 10 people pay their tax on time, you are one of the few people who have not paid yet"* (from letter to taxpayers)

### Important lessons from other fields

- Social norms campaigns have been very popular since the 1980s in a number of fields, such as health prevention campaigns, environmental behaviour change, seatbelt use, drink driving, etc.
- These campaigns have two stages: (1) assess norms at population level and (2) communicate norms to address any misperceptions
- They are usually based on communicating descriptive norms, but can also communicate injunctive norms

### Future tax compliance campaigns

- Future tax compliance campaigns should assess existing norms before carrying out campaigns to avoid unintended consequences
- Future campaigns can target noncompliant categories by using personalised feedback campaigns (e.g., 'You estimate 60% pay tax honestly, it is actually 80%')