TAX MORALE

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OECD
BETTER POLICIES FOR BETTER LIVES

Overview

OECD work on Tax Morale covers several dimensions:

- Individuals – using perceptions survey data from WVS, Afrobarometer etc.
  - *Tax Morale: What drives people and businesses to pay tax*
  - *Update due by end 2023 – new data confirming previous findings*

- Businesses – unique perceptions survey data collected by OECD from MNEs and Tax Admins
  - *Tax Morale II: Building trust between tax administrations and large businesses*

- Taxpayer education – created a typology of approaches to taxpayer education
  - *Building Tax Culture, Compliance and Citizenship: A Global Source Book on Taxpayer Education, Second Edition*



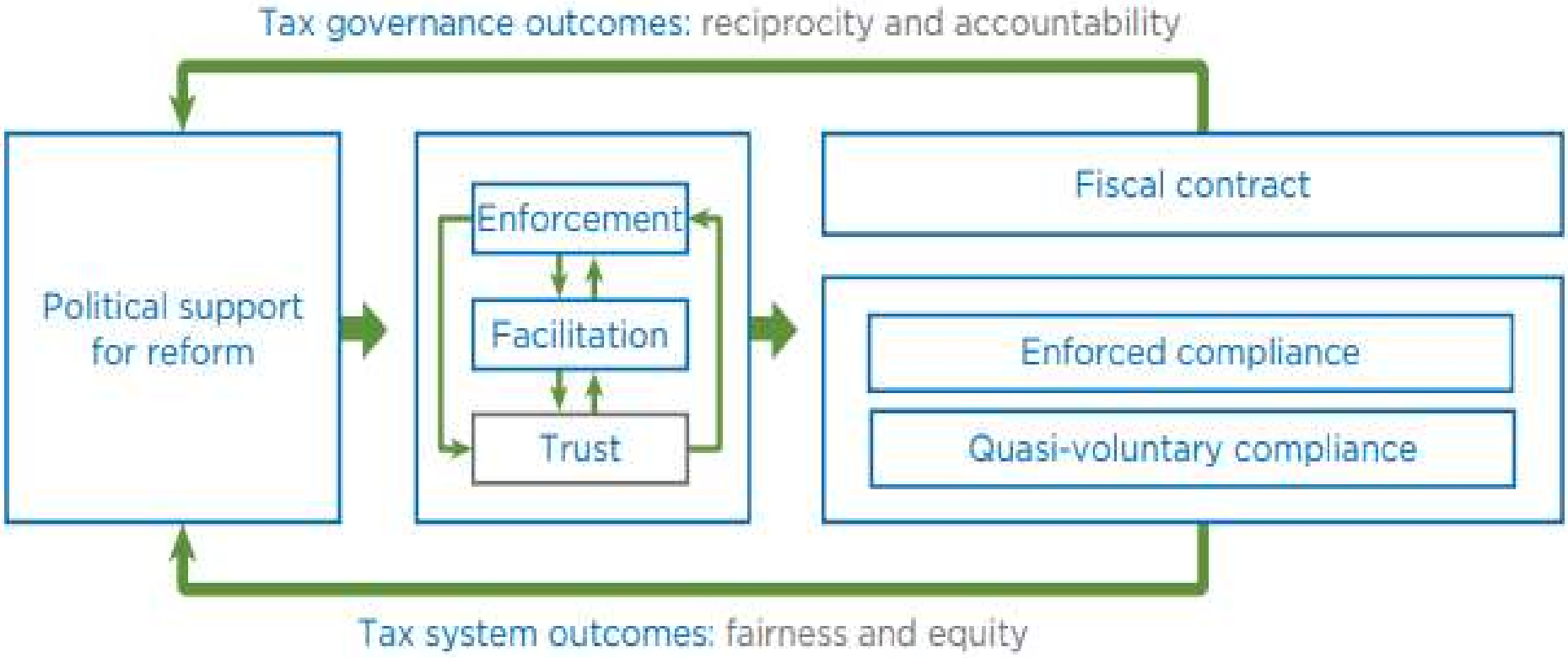
What is tax morale?

Various definitions

- Intrinsic motivation to pay tax
- Non-pecuniary motivation to pay tax
- Quasi-voluntary compliance

- Recognition that taxpayers are not purely self-interested
  - i.e. compliance is not purely factor of balancing costs and benefits of evasion / we are not purely economic creatures

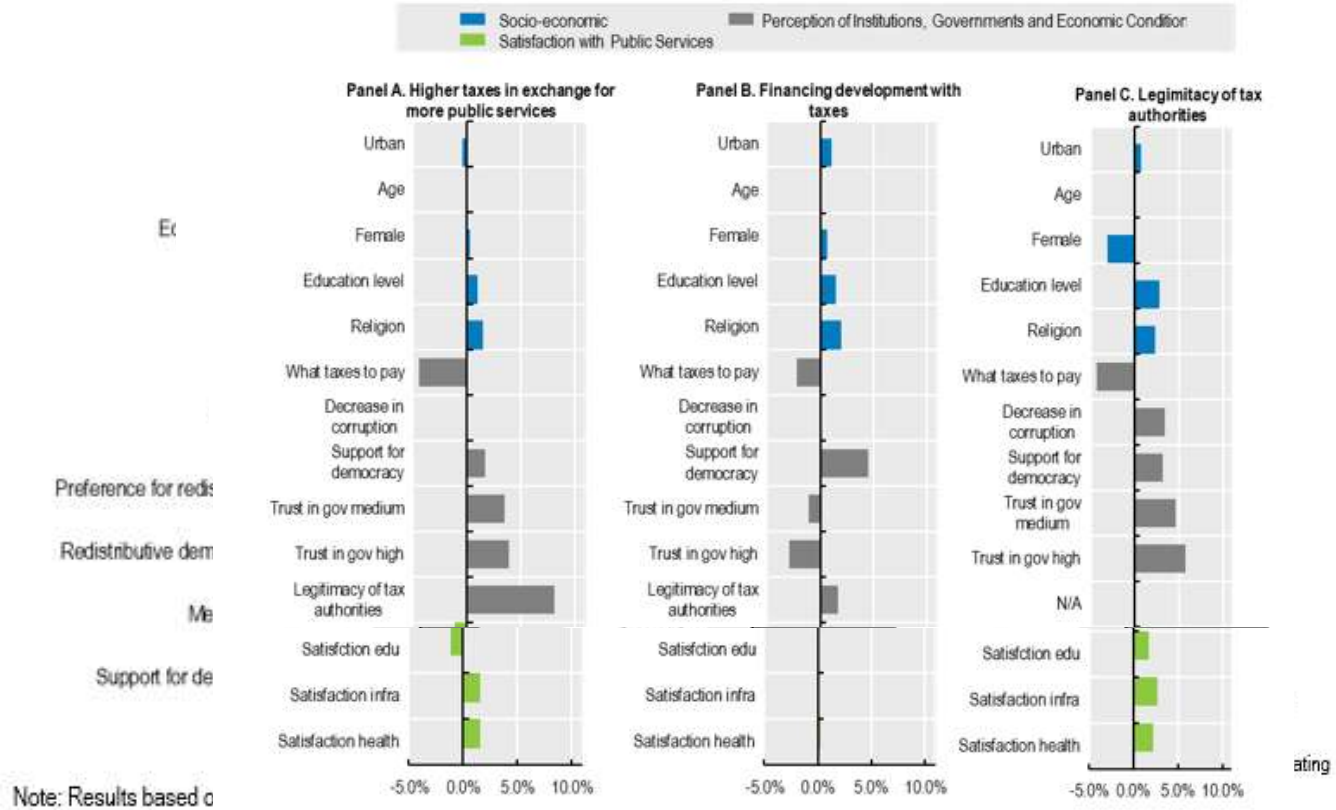
Tax morale in the tax system



Source: World Bank

Drivers of tax morale - individuals

- Socio-economic factors
  - Difficult to change especially in the short term
  - Some variation between regions
- Institutional factors
  - Many need whole of government response
  - But tax system specific are a big driver in Africa
- Satisfaction with public services
  - Have an impact, but not consistent



Tax Morale II: Building Trust between Tax Administrations and Large Businesses



Tax Certainty Survey

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Tax Administrators Perception Survey

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Roundtable Discussions

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Tax Morale II Report

Tax Morale Report I (2019)

The report on "*Tax Morale: What drives People and Businesses to pay tax*" **uses data on MNE tax staff perceptions on tax certainty to identify potential determinants of MNE tax morale**.

Tax official perceptions surveys (2020)

1 240 tax officials from 138 jurisdictions participated in an online survey to provide their perceptions of MNE behaviour against the Business at OECD (BIAC) Statement of Tax Best Practices for Engaging with Tax Authorities in Developing Countries.

Roundtable Discussions (2021)

The results of both perception surveys were discussed at a series of regional round-tables that brought together tax administrations and MNEs

Roundtables were held (virtually) for Africa, Asia, Europe, and Latin America and Caribbean regions

Tax Morale Report II (2021)

Tax Morale II combines these data sets together with the roundtable discussions to identify how MNEs' adherence to best practices is perceived across different regions, as well as the factors that may influence tax morale, especially the key issue of **trust** between MNEs and tax administrations

Summary of tax administration perceptions

Routine Compliance

- Adherence to routine tax obligations

- **Vast majority see MNEs paying on time**
- **But much less likely to respond to information requests on time**
- **Perceptions best on average globally**



Co-operation & Trust

- Trust in information provided by MNEs

- **Trust in information provided to tax authorities is limited outside of OECD/Europe, especially in Africa and LAC**



Openness & Transparency

- Public explanation of taxes

- **OECD/Europe and Asia MNEs more likely to explain tax publicly than not**
- **Perceptions worst on average globally**



Disputes, conflict & resolution

- Attitude towards disputes

- **MNEs generally perceived to be co-operative in resolving disputes**
- **But not always perceived to be acting in good faith**



Use of Power & incentives

- Lobbying
- Bribery

- **Significant minority perceive abuse of power**
- **In Africa 28% see tax admin staff hired by private sector to influence ongoing disputes**
- **Bribery concerns in all regions**



Tools to build trust

Building trust requires actions from both tax administrations and businesses



Compliance & Audit Strategies

- Co-operative compliance
- Risk based audits



Expectations and Accountability of Behaviour

- Tax Control Frameworks
- Business principles
- Guidelines
- Ombudsmen
- Zero tolerance of bribery



Transparency, Communication & education

- Promoting dialogue
- Maintaining dialogue
- Language
- Information rather than data
- Professional skills
- Safeguards
- Taxpayer education initiatives



Capacity-building programmes

- Public and Private Sector
- Value chains
- Tax Inspectors Without Borders

Taxpayer Education

Why is Taxpayer Education important?

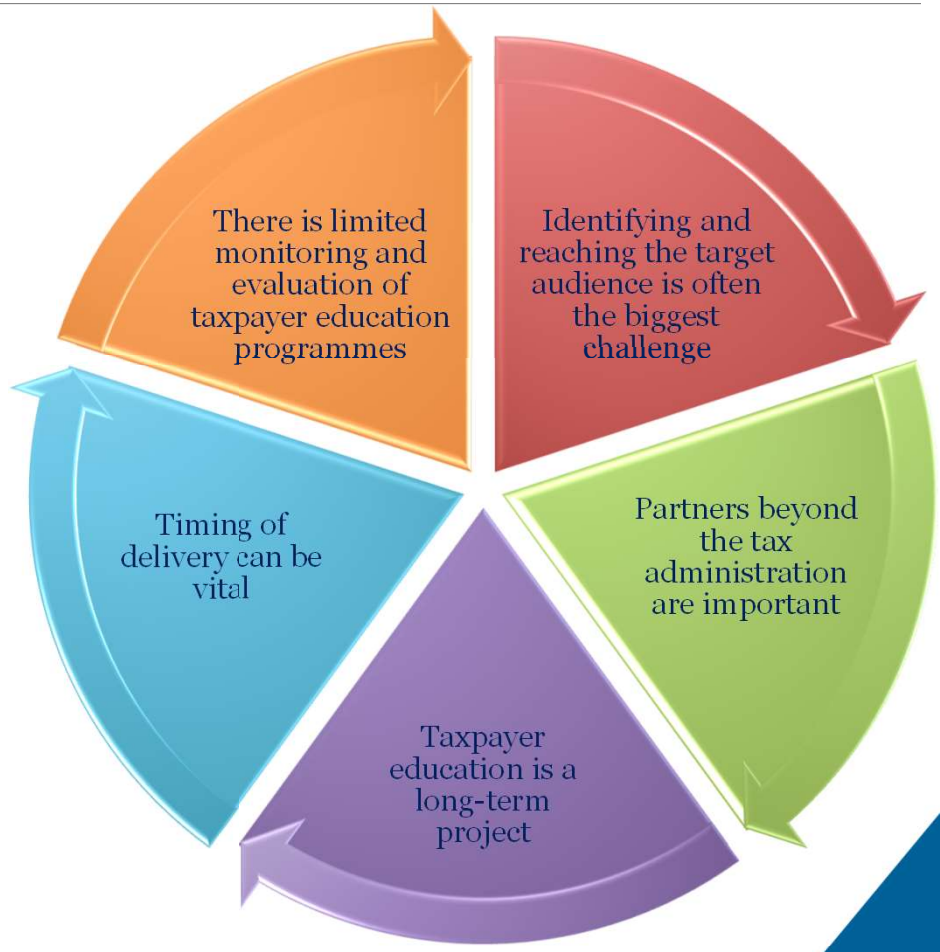
- Perception and understanding of tax system appears to affect willingness to pay
- For voluntary compliance people need to know what to do
- Tax can be a victim of fake news

Created typology of approaches to taxpayer education – based on survey of 140 initiatives from 59 countries

- Three main approaches:
  - **Teaching** – in-depth, sustained engagement, using traditional teaching techniques. Resource intensive.
  - **Communicating to Raise Awareness** – closer to advertising, usually one-off encounters. Often looking to reduce fear/lack of trust in tax administration.
  - **Assisting** – practical support in compliance.

Common challenges

- While there are differences between the three approaches **there are a few common threads** that come out.
- The second edition of *Building Tax Culture, Compliance and Citizenship* **identify them and offers potential solutions to overcome them**.



Tax morale in the compliance journey



Source: [world bank]