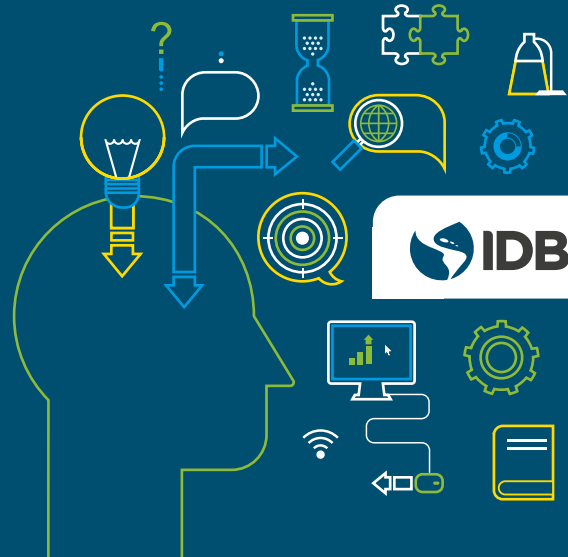


# Do Women Respond Differently than Men to Tax-Related Messages?

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- ➔ Women are generally more compliant with tax obligations than men, often paying taxes more diligently and on time.
- ➔ A field experiment found that deterrence letters prompt women to pay earlier but do not necessarily increase overall compliance. In contrast, men show marked improvement in overall compliance upon receiving such letters.
- ➔ The size of the tax bill significantly influences women's compliance behavior, with a greater likelihood of paying smaller bills, indicating potential liquidity constraints.

### CONTEXT

Tax compliance is low in Latin America and the Caribbean, which restricts governments' ability to provide needed public goods and services. Lately, governments have stepped up enforcement, and they have also increased the use of behavioral interventions to increase voluntary tax compliance. While women are known to pay their taxes more than men, the question of whether men and women react differently to tax-related behavioral interventions has received little attention.

### PROJECT

The project involved a field experiment in Junín, Argentina, examining gender differences in response to tax compliance messages. The experiment included three treatment arms emphasizing penalty and detection probability (deterrence message) and two others conveying tax morale messages (reciprocity and peer effects). The study assessed three payment outcomes: payment by the first and second due dates and full payment within the two-month billing cycle. This setup aimed to understand how the framing of tax enforcement messages impacts compliance behavior differently across genders.



## RESULTS

**Women are more likely to pay taxes than men, both at baseline and post-intervention.** Women showed a higher probability of timely payment, particularly when the tax bills were smaller, while overall compliance remained unchanged. For men, the deterrence message led to a notable increase in the likelihood of payment. This gender disparity in response to tax compliance interventions was significant. Women, facing smaller tax bills, responded positively to deterrence messages, but this effect decreased as the tax liability increased. Conversely, men's response to the deterrence messages was not significantly influenced by the size of the tax bill.

These findings suggest that women, despite being more compliant and responsive to deterrence messages, might face greater liquidity constraints than men. This situation is particularly evident in contexts where the tax liability is high relative to their income. The study's results also imply that women are more motivated by fear of enforcement but are hindered by budget constraints, making them less able to pay larger tax bills.

### Key Concept

#### LIQUIDITY CONSTRAINTS



Liquidity constraints refer to the limitations individuals or businesses face when trying to access funds or convert assets into cash.

**The empirical results align with a simple analytical model that correlates tax compliance to tax morale, risk aversion, and budget constraints.** The model suggests that those with higher tax morale or risk aversion are more likely to enhance their compliance following an intervention that increases the perceived likelihood of detection and penalty. However, liquidity constraints can limit the effectiveness of such interventions, particularly for women, who typically have lower incomes and face higher financial barriers.



## POLICY IMPLICATIONS

**The findings have crucial implications for tax policy and enforcement mechanisms.** The gender disparities in tax compliance behavior and responsiveness to enforcement strategies suggest that tax authorities need to consider gender-specific factors when designing and implementing tax compliance interventions. The differential impact of deterrence messages on men and women, moreover, highlights the necessity for tailored approaches to enhance tax compliance across genders.

At the same time, tax policies and enforcement procedures have the potential to inadvertently exacerbate income inequality between genders. Women, typically earning lower salaries and facing higher liquidity constraints, may find it more challenging to comply with tax obligations, especially when these are disproportionate to their income. This situation can lead to a widening of the income gap between genders, particularly in developing countries with lax tax enforcement and substantial tax evasion.

**To address these challenges, tax policies should aim to create more equitable conditions that recognize the different economic realities of men and women.** Strategies could include differentiated payment plans or tax discounts for low-income households, especially those headed by women. Such measures could help mitigate the disproportionate impact of tax policies on women and ensure that tax compliance does not exacerbate existing income disparities.

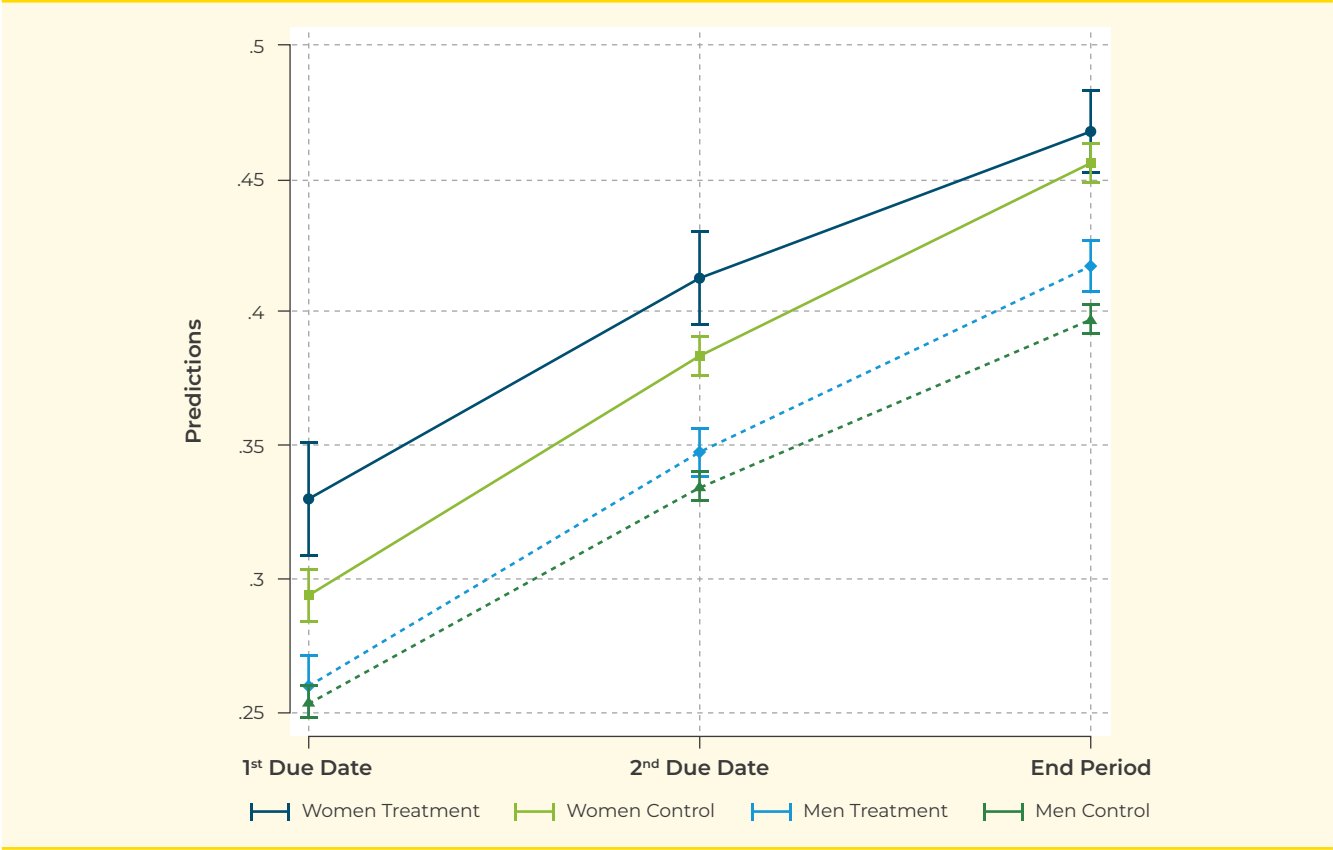
### Key Concept

#### TAX COMPLIANCE



Tax compliance is the degree to which a taxpayer follows the tax rules, including declaring income, filing a return, and paying the tax due in a timely manner.

**FIGURE 1. Response to Tax Payment Messages by Gender**



Note: 90% confidence interval.

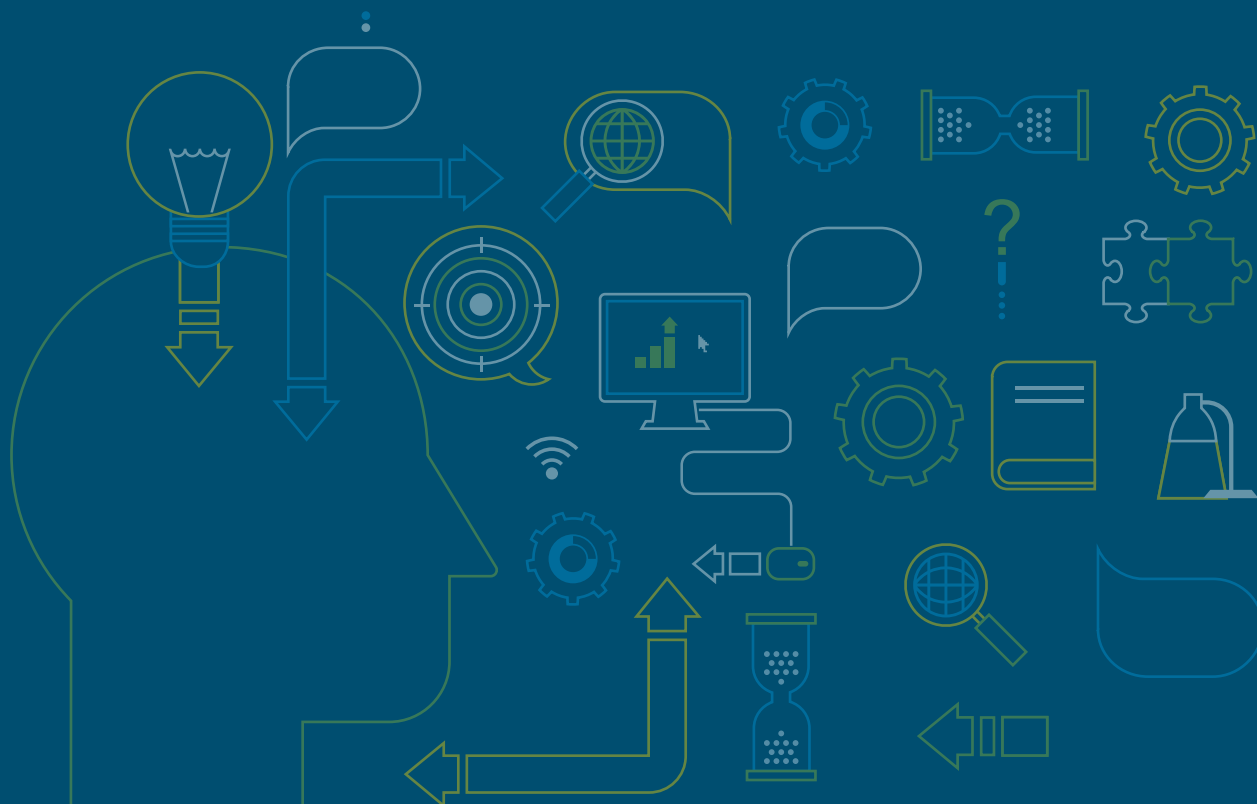


**FULL STUDY**

[López-Luzuriaga, Andrea, and Carlos Scartascini. 2023. “Willing but Unable to Pay?: The Role of Gender in Tax Compliance.” IDB Working Paper No. 1330. Washington, DC: Inter-American Development Bank.](#)

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