

RESEARCH INSIGHTS



How to best remind taxpayers of their obligations?



Tax compliance can be affected by how taxpayers are informed of their outstanding liabilities. In Colombia, in-person visits from a tax inspector were compared to more impersonal methods such as mailers and emails.



Getting a message through any channel had a positive impact on tax compliance, but almost everyone who received a visit from the tax collector made some kind of payment.



A spillover effect was found for the payment of other tax obligations by those targeted during the experiment.

CONTEXT

There is growing interest in explaining what motivates individuals to pay their taxes in full and on time, and the best way to deal with tax delinquency. While many studies have evaluated the comparative effect of sending deterrence and *moral suasion* messages to taxpayers, an experiment conducted with the National Tax Agency of Colombia (DIAN) analyzed how different methods of delivering the same message affected tax compliance. The agency contacted taxpayers with due liabilities through inspector visits as well as cheaper methods such as emails and letters. Tax inspector visits are expensive, *signaling* the severity of the consequences of non-compliance.

THE PROJECT

Once every few months, DIAN contacts taxpayers with due liabilities (declared but unpaid taxes) by mail and email, sometimes also making sporadic in-person visits. On one occasion, the agency agreed to randomize the delivery mechanism of such messages to test their comparative efficiency. The message included in both the physical letter and the email was identical. It included a moral suasion message and information on the pending payment, as well as explained the consequences of sustained tax delinquency. More than 20,000 taxpayers participated in the experiment.

Key concept



SIGNALING

The act of conveying credible information to others about one's expected actions or behavior.

Key concept



MORAL SUASION

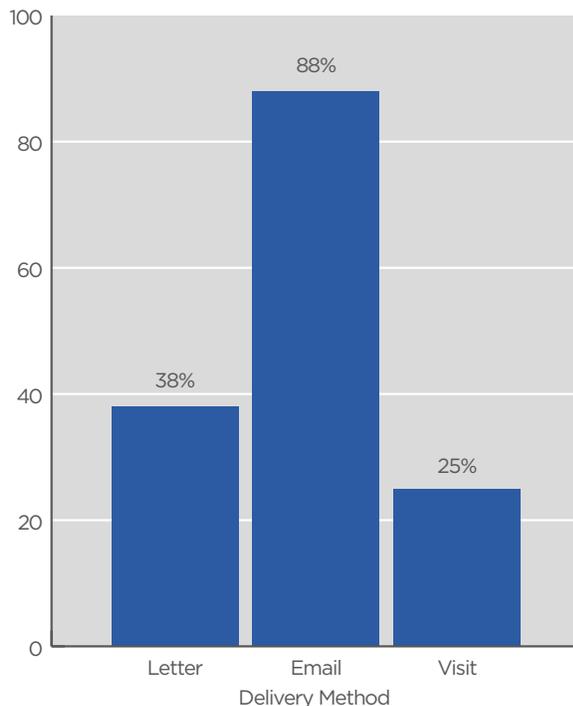
The act of persuading a person or group to act in a certain way through rhetorical appeals, persuasion, or implicit and explicit threats.

RESULTS

Results indicate large and highly significant effects, as well as sizable differences across delivery methods.

1. The agency faced difficulties delivering its messages to subjects across the different treatment groups, due to limited time of the personell involved and out-of-date contact information. This translates into fewer subjects reached per treatment, as shown in Figure 1.

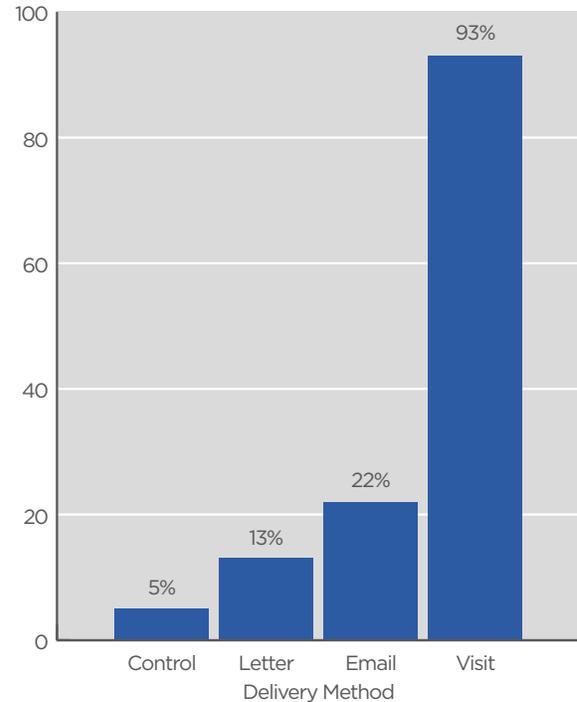
Fig. 1 Share of Taxpayers Reached per Assigned Treatment



2. Further analysis of each communication channel reveals the payment of outstanding debt was about 8 percentage points higher for those who received a letter than for the control group (Figure 2). For recipients of emails, payments were 17 percentage points higher and for those who received a personal visit, 88 percentage points. That is, almost every person who received a visit from a tax inspector made some kind of payment.
3. These results suggest that a personal visit by a tax inspector is more effective than a physical letter or an email, which are conditional

on delivery. Email, however, tends to reach its target more often.

Fig. 2 Share of Taxpayers Who Made Payments*



*All delivery methods produced significantly higher ($p < 0.05$) payment rates compared to the control group. These numbers are conditional on receiving the message through the assigned channel.

POLICY IMPLICATIONS

1. Informational taxpayer campaigns on pending liabilities are a good mechanism for increasing compliance.
2. Sending tax inspectors for in-person visits is significantly more expensive than sending letters and emails, but it is a more effective way of signaling to taxpayers the severity and the consequences of non-compliance. This is likely the reason why those who received visits also cancelled other pending obligations.
3. It is important to maintain a clean, up-to-date database of taxpayers that includes physical and electronic addresses to run interventions like this one more efficiently. Having valid addresses could have doubled tax collection in this intervention.

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www.iadb.org/behavioral



FULL STUDY

[Ortega, D. and C. Scartascini \(2015\). Don't Blame the Messenger: A Field Experiment on Delivery Methods for Increasing Tax Compliance.](#)

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