



OECD Tax Morale and Development Conference – January 25, 2019 Statement of Outcomes

The OECD's [Tax Morale and Development Conference](#) brought together over 125 delegates from over 65 delegations representing countries, jurisdictions, civil society, business and academia, to discuss the drivers of tax morale - attitudes shaping the willingness to pay tax - especially in developing countries. The conference was organised by the [Task Force on Tax and Development](#), OECD's multi-stakeholder body that brings together governments from OECD and developing countries, as well business and civil society.

The discussions were initiated with a presentation of the OECD's new draft report on tax morale, *What's driving tax morale? An empirical analysis on social preferences and attitudes towards taxation*, which features new research on both individuals and businesses. The report identifies a number of socio-economic and institutional factors that influence tax morale in individuals, such as age, gender, education, and level of trust in government. The report highlights regional level variations in the factors driving tax morale, as well as the role of other factors such as the link between tax morale and public services, and the role of the tax administration in tax morale.

A rich discussion followed on the dynamics of tax morale, especially in developing countries, illuminated by case material from a number of countries including Uganda, Sweden, Liberia, India, Ghana, Brazil, El Salvador and many others.

As data on business tax morale is limited, the OECD draft report used data from an OECD survey on tax certainty as a proxy for the tax morale of multinational enterprises (MNEs). Factors causing uncertainty for businesses in developing countries include problems with withholding taxes and VAT refunds, and challenges in the application of international tax standards.

There was substantial discussion on the interplay between the determinants of tax morale, co-operative tax compliance and enforcement. Strategies that focus on one element alone are unlikely to succeed. Reciprocity (the provision of public goods in return for taxes paid), effective enforcement to support tax morale, the ease of paying tax, and an understanding of different groups of taxpayers (e.g. women) can work together in a virtuous circle of voluntary compliance. Participants emphasised the importance of developing enforcement strategies that seek to support social norms, and a willingness to comply, in reinforcing tax morale. This has advantages over purely deterrence-based enforcement.

As regards businesses, the different challenges for different types of businesses were set out. For MNEs, there was support for using tax certainty as a proxy for tax morale; most companies want to comply, but also need predictability. In the informal sector, the challenges can look very different, with literacy (including financial) a significant challenge for many not in the tax system. The solutions are therefore likely to look different, with a role for social enterprises in supporting formalisation. The challenge of language was also highlighted, especially in developing countries where a high number of spoken languages can make it difficult to reach taxpayers in their mother tongue.

Participants showcased a number of tools to build tax morale. Nudging, or behavioural economic, approaches were shown to have the potential for significant impact, at least in the short run, with low cost interventions. The long run impact of such measures, likely to be contingent on other measures, including enforcement and education, were also discussed. The difference between short and long run impacts was also evident in the use of earmarked or hypothecated taxation, where there are clear political benefits in

the short run for getting support for increased taxation, but over time the rigidities earmarking creates were shown to cause some significant problems.

A number of examples were given of how citizens can be engaged on tax issues, to build support for both paying taxes, and for developing fair and effective tax systems. Some of the key lessons from taxpayer education programmes at school/university level were highlighted, including the need for such strategies to be properly resourced, based on strong relationships with partners (e.g. schools and universities) and to have an inclusive approach, not just on tax, but to citizenship values, and the frameworks of transparency and accountability that tax exist within. Civil society also presented examples of how civil society organisations can support citizens to engage in the tax system, building support for progressive tax systems that deliver development outcomes and address inequality.

The Secretariat confirmed that, following on from this conference, the OECD will:

- **Revise the report, *What's driving tax morale? An empirical analysis on social preferences and attitudes towards taxation***, based on the valuable input from the conference.
- **Release a public consultation draft** in the coming months, before final publication later in the year.
- **Update the publication, *Building Tax Culture, Compliance and Citizenship* (OECD 2015)**, which will focus on the impacts and lessons learned from taxpayer education initiatives.
- **Strengthen country level analysis by seeking partners** to undertake further research on tax morale at the country level to be conducted in 2019/20.
- **Establish an informal network** of those interested in tax morale, with a possibility of a first meeting in May 2019.
- **Further analyse** the issues around tax and gender in 2019.