FORUM ON TAX ADMINISTRATION

BEHAVIOURAL INSIGHTS FOR BETTER TAX ADMINISTRATION

Launch Event

Alicia M. Miller and Anne D. Herlache
United States Internal Revenue Service
23 September 2021

OECD
BETTER POLICIES FOR BETTER LIVES

2020 FTA Survey on Behavioural Insights

Twenty-six (out of 53) countries responded.

Current Use of Behavioural Insights:
- 73% (19) of respondents agreed that behavioural insights were part of the organisation's current strategy for meeting its mission
- 54% (14) said they had a strategy for developing capacities for behavioural insights
- 38% (10) responded that they are considering this for future use.

Organisational Design:
- 42% (11) use external experts (e.g., consultants, academics)
- 15% (4) have a separate behavioural insights unit
- 42% (11) have embedded experts in tax administration teams (e.g., debt management)
- 42% (11) have behavioural insights experts within a wider tax administration unit (e.g., an analytics unit)
- 12% (3) have behavioural insights experts within a wider government body

How Behavioural Insights can help tax administration

Behavioural Insights can help:

Improve tax compliance behaviours

Change service behaviours

Encourage productive employee behaviours

Through a process of:

Understanding behaviours and what drives them

Designing policies or other interventions to change behaviours

Providing evidence on the most effective ways to achieve change

…Across the value chain, across functions

Registration   Assessment   Verification   Collection   Dispute

Upstream   **Midstream**   **Downstream**

Automating activities and eliminating opportunities for noncompliance and need for assistance

Assisting customers with information services when they need it

Modifying resourse-intensive measures to collect debts or correct errors

Proactive   **Reactive**
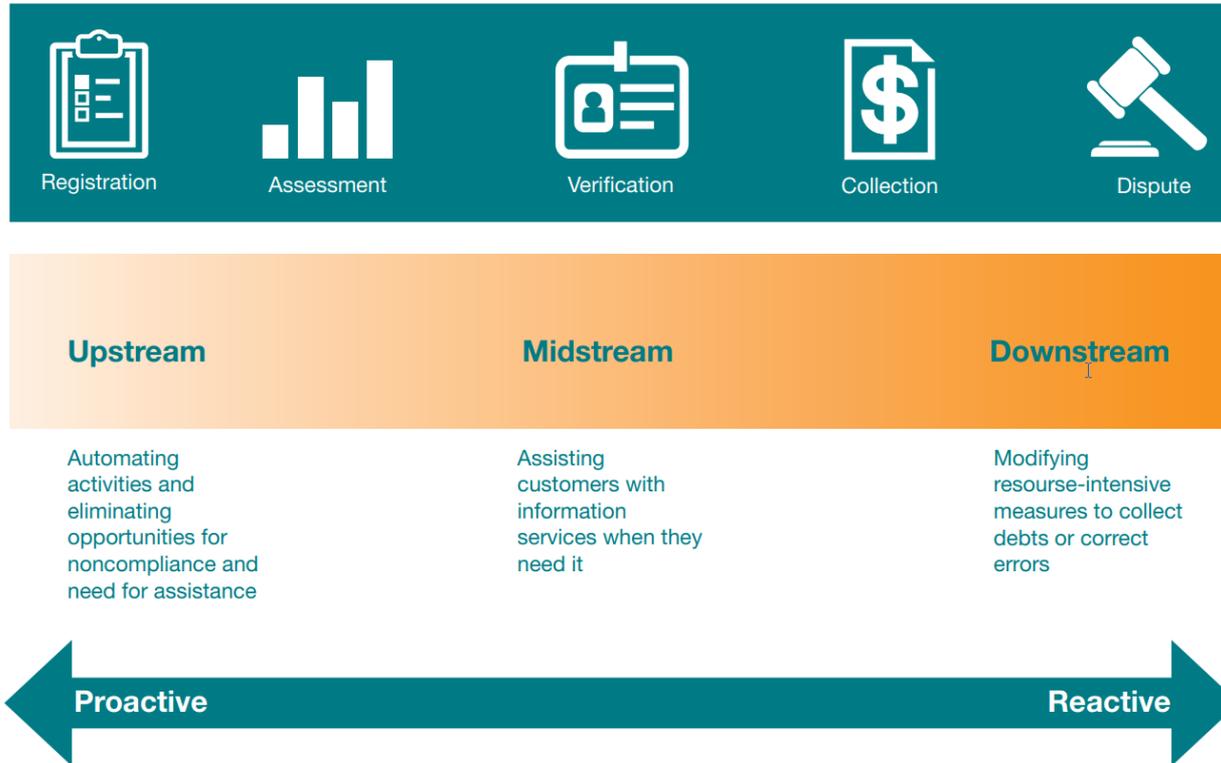
Digitalisation accelerates opportunities for behavioural change

Automation: Automate tax processes and minimize the need for action

Default Changes: Implement automatic enrollment (Opt out instead of Opt in)

Automation: Pre-populating returns or stored information can help ensure taxpayers complete processes and minimise typos*

Caution: Pre-populating tax returns works best when complete and accurate information is available. People tend to take the easiest path, which could include accepting incorrect information.

Detection: Understand customers and detect anomalies

Service Needs: Analyse data to better understand customer needs and behaviours

Error Detection: Cross-reference data entries to third-party information or averages to detect potential errors

Risk Detection: Use electronic data to identify non-compliance signals and develop better risk models

Correction: Use interventions to change behaviour

Tailored messages: Enable personalised communications

Real-time prompts: Provide prompts to check manual entries when they appear inconsistent with other information

Assister prompts: Enable prompts to assisters to flag potential needs and provide a more holistic service

Examples of behavioural interventions

Taxpayer Services

Pop-up windows in tax filing software

↑ AUD22,4mn revenue from voluntary adjustments

Australian Taxation Office

Taxpayer Communications

Reminder letters with behavioural messages

↑ 18% advanced payments +3,16mn net revenue

Belgian Tax Administration

Enforcement

Better data and detection with publicized arrests

↑ 31% in student loan repayments

Inland Revenue of New Zealand

Employee Experience & Performance

Employee network mapping & interventions

↑ 23% collaboration + higher job satisfaction

Private Sector Manufacturer

With more examples from: ◆ Dutch Tax and Customs Administration ◆ Tax Norway ◆ US Internal Revenue Service ◆ Inland Revenue Authority of Singapore ◆ Hungarian National Tax and Customs Administration ◆ and more.

Building capabilities for Behavioural Insights

Operating Models

**Consultant Collaboration**

Academic Collaboration

Internal Experts

Internal Capabilities

- **Determining how to organise and where to place behavioural insights experts**

- **Education, knowledge, and skillsets for behavioural scientists**

- **Governance considerations**

Building capabilities for Behavioural Insights

Explore

Explore applications of behavioural insights: Select initial use cases and conduct early trials

Build

Build internal capabilities: Hire or train internal behavioural insights experts

Expand

Expand awareness of behavioural insights and applications

Integrate

Integrate behavioural insights into operational strategies, planning and risk mitigation processes
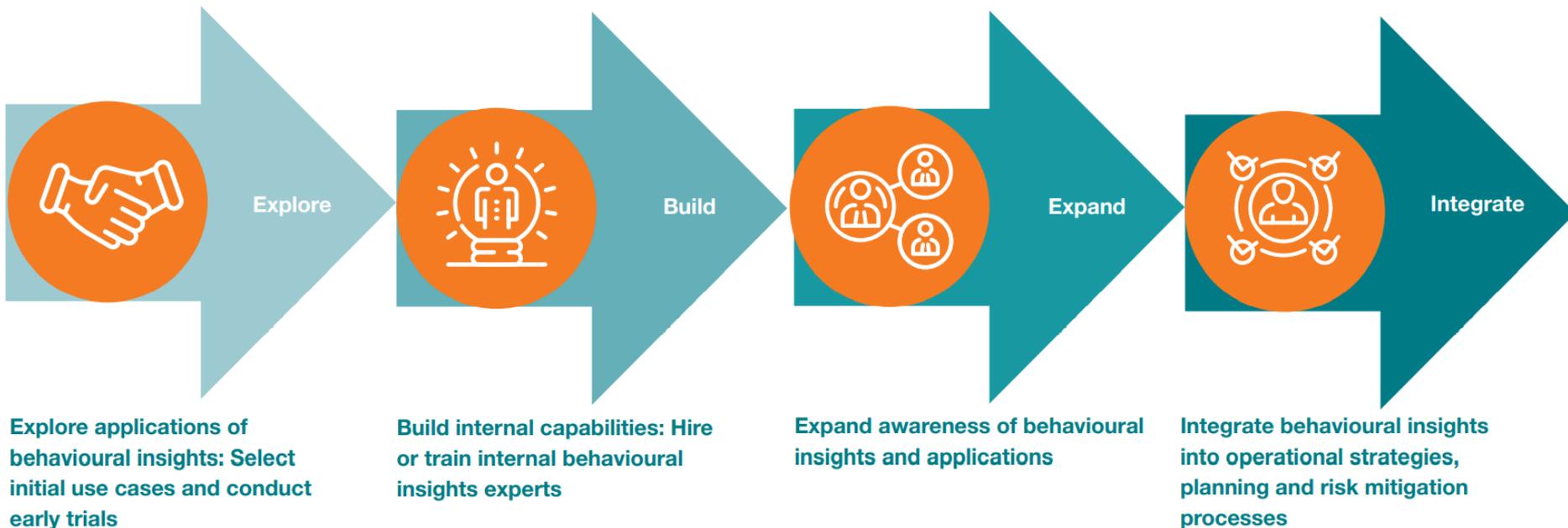
Behavioural Insights Community of Interest

- A forum for tax administrations to learn about behavioural insights, connect with peers, and share insights around applying BI

- Participation from 36 Tax Administrations

- For more information or to join, contact fta@oecd.org