Can SMS’s improve PNG tax compliance?

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The problem: tax compliance

• Less than 10 per cent of registered SWT taxpayers paid tax
• Why? Uncertainty about how the revenue would be used and distrust that it will be used well

• Consequences:
  • Need higher rates
  • Costly administration
  • Can’t provide services
  • Unfair burden
Successful interventions improving tax compliance overseas

• People don’t always do what they want
• Lots of examples of small changes to policy having impact on what people do
• These changes can be very cheap to make
• Overseas, we have seen tax compliance increased by sending different messages to taxpayers
<table>
<thead>
<tr>
<th>Treatment</th>
<th>Subject line</th>
<th>Message</th>
<th>Image</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reminder</td>
<td>Tax filing period open until 31st March 2016</td>
<td>RRA would like to inform you that you can file your tax return until 31st March 2016. For more information about the filing process and payment methods, contact the call centre (3004) or visit the RRA website (<a href="http://www.rra.gov.rw">www.rra.gov.rw</a>).</td>
<td></td>
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| Deterrence           | Pay your taxes on time and avoid fines and penalties                         | Reminder as above, plus:

Do you know that if you do not declare and pay your taxes on time, RRA can fine and possibly prosecute you? Pay your taxes on time and avoid fines and penalties. |

| Fiscal exchange      | Pay taxes. Build Rwanda. Be proud.                                           | Reminder as above, plus:

By paying your taxes you make it possible to educate our children, fund our healthcare, and keep us safe. Pay taxes. Build Rwanda. Be proud. |

| Control group        | No message                                                                   | No message                                                                                                                                                                                                 | No message |
What do Papua New Guineans think?

Types of messages that are expected to be the most effective in encouraging people to pay the right amount of tax.

- Simplify instructions: 35%
- Deterrence: 5%
- Shared Community Benefit: 30%
- Shared Norms: 10%
- Tax Morale: 25%

Share of respondents that rated this type of message as most effective.
Our intervention

• Send registered taxpayers SMS messages simply explaining requirements or shared benefit
• Send to businesses
• Salary and Wages Tax and Goods and Services Tax withholding
• Taxes due monthly – sent before April lodgement
Our trial to test whether it works

• Registered taxpayers randomly allocated to a group:
  • no message, simplification message and shared benefit message
  • Nearly 8,000 people in each group
• Allows us to compare the effectiveness of the messages
• Results still to come
What other issues could trials like these address?

• Health check-ups
• School attendance
• Loan repayments
• Car and licence registration
• Education about family violence