



TAX MORALE AND TAX BEHAVIOR EXPERIMENTAL METHODS: THE CASE OF NUDGING PROPERTY TAX PAYMENT IN THE MUNICIPALITIES IN NORTH MACEDONIA



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GOAL

Goal:

To unlock what drives tax morale – the intrinsic willingness to pay tax – as we know that it can greatly assist governments in the design of tax policies and their administration, particularly where compliance rates are low ... & nudge tax morale/ responsibility ...

- Problem:** In certain municipalities there is a significant % of non-compliant tax payers for local taxes, seen from the multiyear cumulated liabilities for taxes such as property tax
- Expected to:
 - Boost the tax payment in a manner that **does not involve increase of tax rates or does not impose legal changes, yet it increases local revenues for the LSGUs in relatively cheap way...**
 - Boost tax responsibility through determining what drivers, what works for the tax payers in the specific municipality with hope for permanent behavior change
 - Test the determinants locally and see the tax morale drivers, the inner norms of the citizens....
 - We chose the property tax as most adequate for testing...
 - Willingness to be driven by the tax authority essential, collaboration essential, motivation essential ...

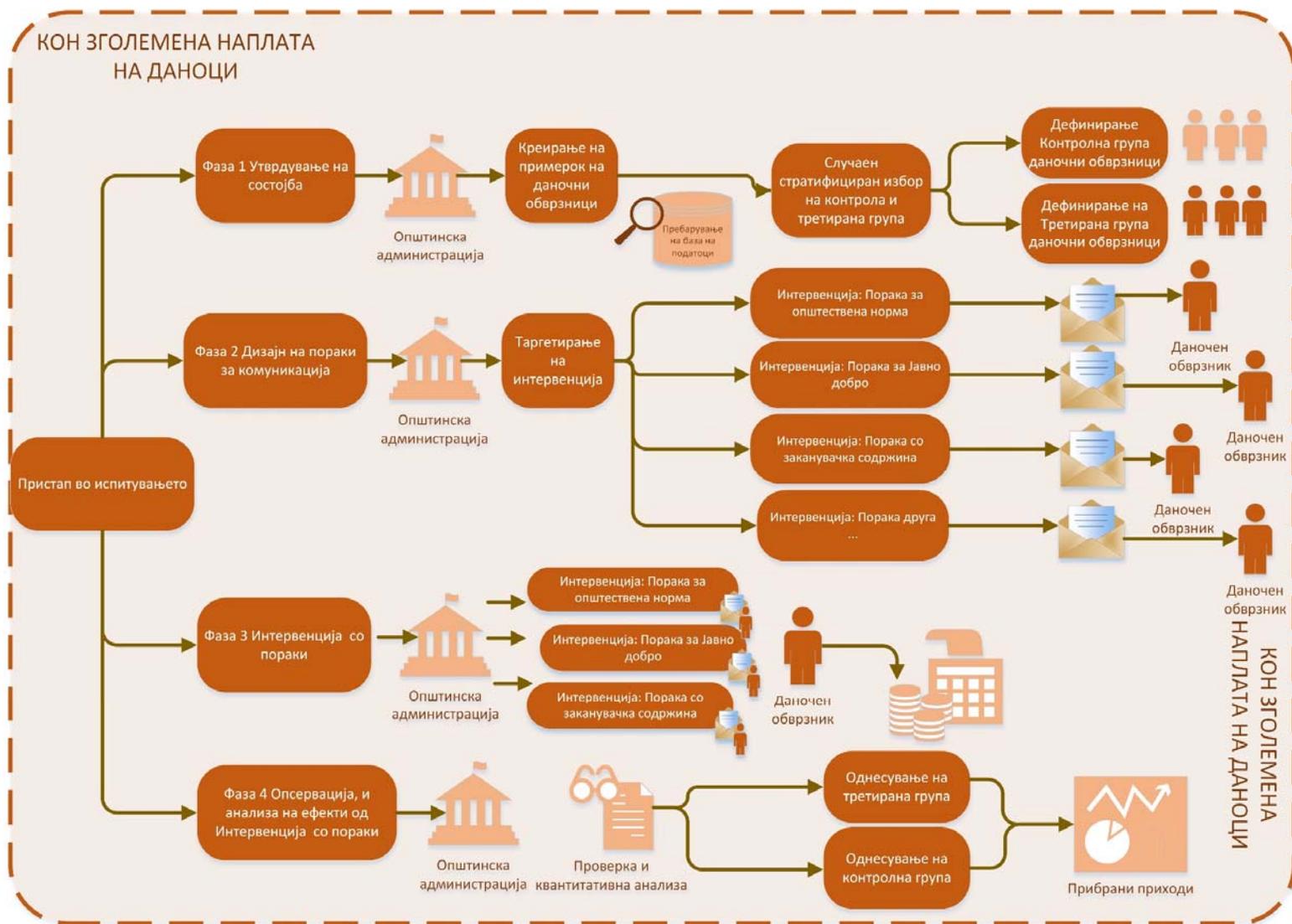
PROCESS

BEHAVIORAL ECONOMICS THEORY AND PUBLIC POLICY?

TAX NUDGING



Photo: Illustration by Bill Butcher - © Copyright of Telegraph Media Group Limited 2018



LETTERS SENT... TO NON-COMPLIANT TAX PAYERS

1 Порака Општествена
Норма

2 Порака Јавно Добро

3 Порака Предупредувачка /
Обесхрабрувачка

Контролна група

KOMUNA E GOSTIVARIT
ОПШТИНА ГОСТИВАР
GOSTIVAR BELEDIYESI

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tel. +389 (0) 42 213 511
fax. +389 (0) 42 214 406

Ве молиме платете го износот
застапувајќи долж за данок на имот!

Ју лутеми рагајани боракет е мбурта пвр
татимн нр рронг!

Почитувани,

Според евиденцијата на општината имате
застапувајќи долж за данок на имот.

Тв пбериа,

Зираз евиденсис се компунис, Ју кери борак
тв мбурта пвр татимн нр рронг.

Според нашите податоци, најголем дел
од граѓаните на општина Гостивар го
пладиле данокот на имот.

Вие сте дел од оние кое сѐ уште не ја
подмириле својата обврска.

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**Неплаќањето на даноците креира
нефер товар врз останатите даночни
обврзници кои чесно ја исполнуваат
својата даночна обврска. Затоа како
Општина сме одлучни да ги собереме
даноците од оние кои избегнуваат да
ги платат.**

**Општината може да покрене
постапка за извршување со што ќе**

TAX MORALE EXPERIMENT > GOSTIVAR 1

GOSTIVAR:

Persons treated with:

- Social Norm Message (281)
- Public Good Message (279)
- Deterrence Message (233)
- Control Group (223)

Target: Persons who have overdue liabilities for property tax (over 50EUR, for 5 years)

Sample size: 1.021, Population (non-compliant) size: 16.345 (6.2%)

OVERDUE LIABILITIES in the sample REDUCED by: 2.3%

INCREASED Property Tax (physical entities 2019): 2.4%

FULL payment reaction 3.5%, without CG 2.3%

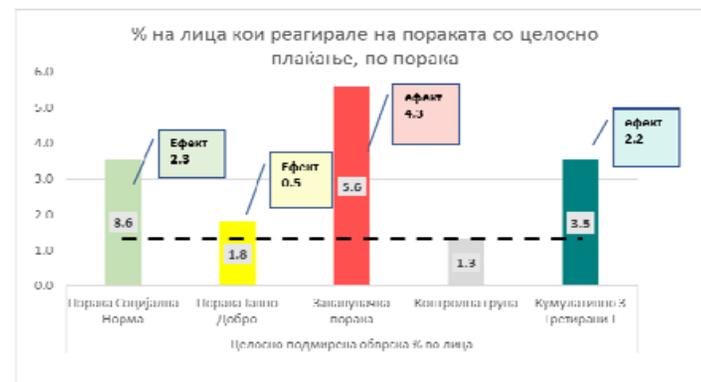
The cumulative effect of the intervention: collected funds from the overdue liabilities (excluding the collection from the CG) for the municipality is a decrease of 2.3% of the claims of the sample, (2.13% of the annual property tax from individuals of the value for 2020).

Social Norm effect: 3.6% / 2.3% of taxpayers who had overdue outstanding debt for PT for a long period, fully settled their debt after being sent a message with the intention of influencing their social values that they are one of the minority taxpayers in the municipality who do not fulfill your obligation unlike other taxpayers in their community.

Public Good: 1.8% / 0.5% of taxpayers who had overdue outstanding debt for PT for a long period, fully settled their debt after a message was sent to them by influencing their values to encourage the contribution to the public good - taxes are used exclusively for their local public community needs.

Deterrence: 5.6% / 4.3% of taxpayers have fully settled the debt of property tax, after a message was sent calling for unfair treatment of others in the community and that the municipality is determined to collect taxes through an enforcement procedure, the so-called deterrence message.

Local effect gender: 6,7% of females reacted to social norm vs. 3,2% males - maybe social norms more influential on the female gender tax payer?



TAX MORALE EXPERIMENT > DELCHEVO 1

DELCHEVO:

Persons treated with:

- Social Norm Message (143)
- Public Good Message (150)
- Deterrence Message (147)
- Control group (167)

Target: Persons who have overdue liabilities (over 50 EUR)

Sample size: 607 Population size: 712 (85%)

OVERDUE LIABILITIES in the sample REDUCED by: 14.3%

INCREASED Property Tax (physical entities 2019): 9,7%

FULL Payment reaction 18.2% without CG 8%

Social Norm effect: 18% / 8% of taxpayers who had overdue outstanding debt for PT for a long period, fully settled their debt after being sent a message with the intention of influencing their social values that they are one of the minority taxpayers in the municipality who do not fulfill your obligation unlike other taxpayers in their community.

Public Good: 19% / 9% of taxpayers who had overdue outstanding debt for PT for a long period, fully settled their debt after a message was sent to them by influencing their values to encourage the contribution to the public good - taxes are used exclusively for their local public community needs.

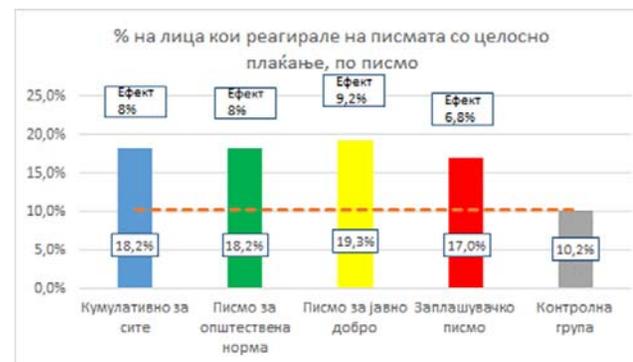
Deterrence: 17% / 7% of taxpayers have fully settled the debt of property tax, after a message was sent calling for unfair treatment of others in the community and that the municipality is determined to collect taxes through an enforcement procedure, the so-called deterrence message.

Average liability decreased by 1,235 denars (sample)

Local effect age: no effect on the youngest bellow 35 years of age,

Local gender effect:

- **Most effective deterrence among female?**
- **Most effective social norm among males?**



TAX MORALE EXPERIMENT > PEHCHEVO 1

PEHCHEVO:

Persons treated with

- Social Norm Message (104)
- Public Good Message (95)
- Deterrence Message (112)
- Control group (140)

Target: Persons who have overdue liabilities

Sample size: 451 Population (non-compliant) size: 581 (78%)

OVERDUE LIABILITIES in sample REDUCED by: 8.8%

INCREASED Property Tax (physical entities 2019): 8.6%

FULL Payment reaction 15.4% without CG 8.2%

Most effective, deterrence and social norm, and less the public good

The cumulative effect of the intervention: collected funds from the overdue liabilities (excluding the collection from the CG) for the municipality is a decrease of 45% of the claims of the sample

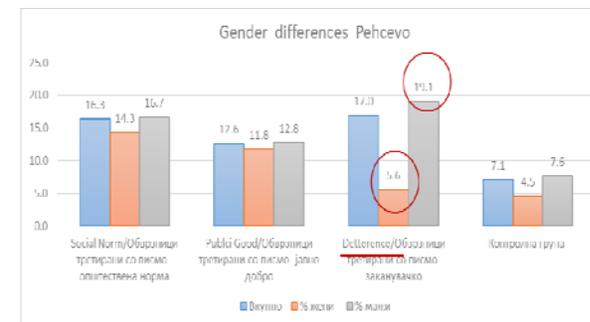
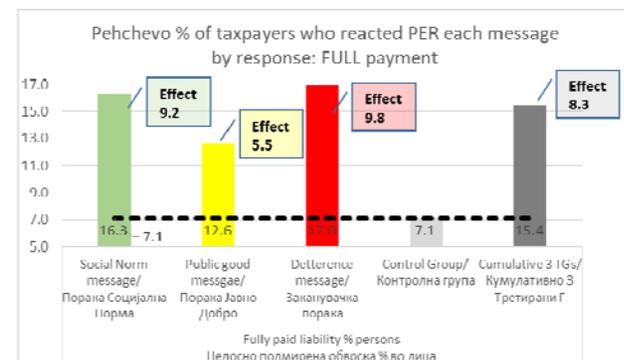
Social Norm effect: 16% / 9% of taxpayers who had overdue outstanding debt for PT for a long period, fully settled their debt after being sent a message with the intention of influencing their social values that they are one of the minority taxpayers in the municipality who do not fulfill your obligation unlike other taxpayers in their community.

Public Good: 12.6% / 5.5 % of taxpayers who had overdue outstanding debt for PT for a long period, fully settled their debt after a message was sent to them by influencing their values to encourage the contribution to the public good - taxes are used exclusively for their local public community needs.

Deterrence: 17% / 9.8 % of taxpayers have fully settled the debt of property tax, after a message was sent calling for unfair treatment of others in the community and that the municipality is determined to collect taxes through an enforcement procedure, the so-called deterrence message.

Local effect gender: most males affected by deterrence and female by social norm and public good.

It should be noted that overall female respond less to messages however the male to female tax payers – owners of real estate property in the municipality is 84% male to 17% female - Situation that is not different throughout the country.



TAX MORALE EXPERIMENT > GOSTIVAR 2

GOSTIVAR:

Persons treated with:

- Social Norm Message (207)
- Public Good Message (191)
- Deterrence Message (188)
- Control Group (188)

Target: Persons who have overdue liabilities for property tax (over 50EUR, for 5 years)

Sample size: 774, Population (non-compliant) size: 12.272 (6.3%)

OVERDUE LIABILITIES of Sample REDUCED by: 4.5%

INCREASED Property Tax (physical entities 2020): 3.5%

FULL payment reaction 3.8%, without CG -0.5%

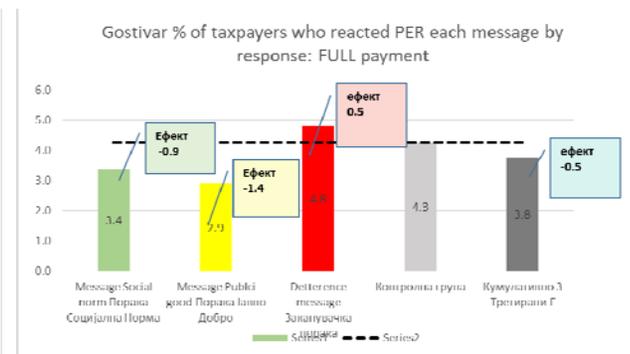
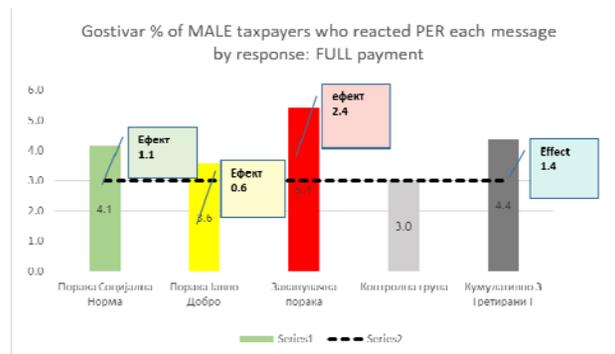
The cumulative effect of the intervention: collected funds from the overdue liabilities (excluding the collection from the CG) for the municipality is decreased of 4% of the claims of the sample, (2.13% of the annual property tax from individuals of the value for 2020).

Social Norm effect: 3.4% / -0.9% of taxpayers who had overdue outstanding debt for PT for a long period, fully settled their debt after being sent a message with the intention of influencing their social values that they are one of the minority taxpayers in the municipality who do not fulfill your obligation unlike other taxpayers in their community.

Public Good: 2.9% / -1.4% of taxpayers who had overdue outstanding debt for PT for a long period, fully settled their debt after a message was sent to them by influencing their values to encourage the contribution to the public good - taxes are used exclusively for their local public community needs.

Deterrence: 4.8% / 0.5% of taxpayers have fully settled the debt of property tax, after a message was sent calling for unfair treatment of others in the community and that the municipality is determined to collect taxes through an enforcement procedure, the so-called deterrence message.

Local effect gender: contradicting effects in this round, males responsive by all messages still predominantly the deterrence, and no effect of female. Most males reacted most significantly to the deterrence and less by the social norm.



TAX MORALE EXPERIMENT > DELCHEVO 2

DELCHEVO:

Persons treated with:

- Social Norm Message (202)
- Public Good Message (203)
- Deterrence Message (202)
- Control group (186)

Target: Persons who have overdue liabilities (**LESS than 50 EUR**)

Sample size: 607 Population size: 2,123 (37%)

OVERDUE LIABILITIES in the sample REDUCED by: 45%

INCREASED Property Tax (physical entities 2020): 7,3%

FULL Payment reaction 30.3% without CG 4.5%

DIFFERENT TARGET, NON-COMPLIANT LESS THEN 50 EUR, BUT IMPORTANT EVENT, ABOVE 50 EUR FORCED COLLECTION PROCEEDURE INITIATED FOR OTHER NON-COMPLIANT TAX PAYERS > 50 EUR, MAY HAVE IMPACT

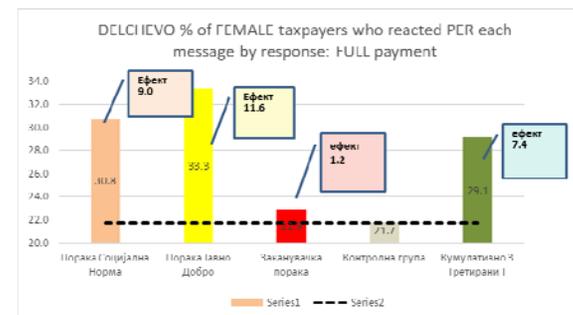
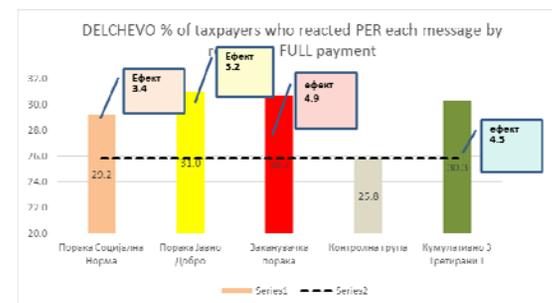
The cumulative effect of the intervention: collected funds from the overdue liabilities (excluding the collection from the CG) for the municipality is a decrease of 45% of the claims of the sample

Social Norm effect: 29% / 3.4% of taxpayers who had overdue outstanding debt for PT for a long period, fully settled their debt after being sent a message with the intention of influencing their social values that they are one of the minority taxpayers in the municipality who do not fulfill your obligation unlike other taxpayers in their community.

Public Good: 31% / 5.2% of taxpayers who had overdue outstanding debt for PT for a long period, fully settled their debt after a message was sent to them by influencing their values to encourage the contribution to the public good - taxes are used exclusively for their local public community needs.

Deterrence: 31% / 4.9% of taxpayers have fully settled the debt of property tax, after a message was sent calling for unfair treatment of others in the community and that the municipality is determined to collect taxes through an enforcement procedure, the so-called deterrence message.

Local effect gender for smaller amounts of liabilities? Females reacted in higher percentage this time and still the most effective is the social norm overall, but much less deterrence among females.



TAX MORALE EXPERIMENT > PEHCHEVO 2

PEHCHEVO:

Persons treated with

- Social Norm Message (196)
- Public Good Message (196)
- Deterrence Message (193)
- Control group (196)

Target: Persons who have overdue liabilities

Sample size: 781 Population size: 885 (88%)

OVERDUE LIABILITIES in sample REDUCED by: 7.2%

INCREASED Property Tax (physical entities 2020): 16%

FULL Payment reaction 12.8% without CG 1.1%

Most effective, deterrence and social norm, and less the public good

The cumulative effect of the intervention: collected funds from the overdue liabilities (excluding the collection from the CG) for the municipality is a decrease of 7.2% of the claims of the sample

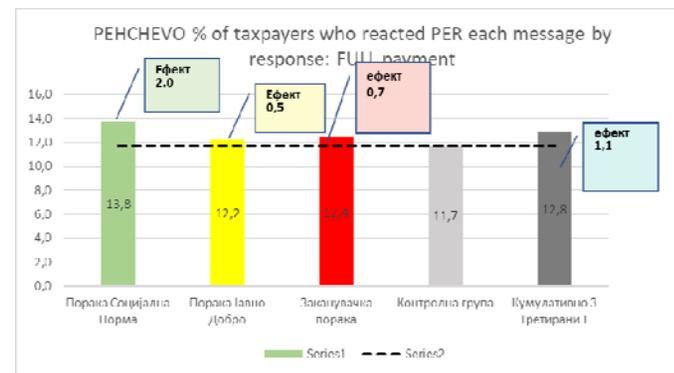
Social Norm effect: 13.8% / 2% of taxpayers who had overdue outstanding debt for PT for a long period, fully settled their debt after being sent a message with the intention of influencing their social values that they are one of the minority taxpayers in the municipality who do not fulfill your obligation unlike other taxpayers in their community.

Public Good: 12.2% / 0.5 % of taxpayers who had overdue outstanding debt for PT for a long period, fully settled their debt after a message was sent to them by influencing their values to encourage the contribution to the public good - taxes are used exclusively for their local public community needs.

Deterrence: 12.4% / 0.7 % of taxpayers have fully settled the debt of property tax, after a message was sent calling for unfair treatment of others in the community and that the municipality is determined to collect taxes through an enforcement procedure, the so-called deterrence message.

Local effect gender: most males affected by public good and female by social norm.

It should be noted that overall female respond less to messages however the male to female tax payers – owners of real estate property in the municipality is 84% male to 17% female - Situation that is not different throughout the country.



TAX MORALE EXPERIMENT > KRIVA PALANKA

KRIVA PALANKA:

Persons treated with:

- Social Norm Message (393)
- Public Good Message (393)
- Deterrence Message (392)
- Control group (389)

Target: Persons who have overdue liabilities (**LESS than 50 EUR**)

Sample size: 1.567 Population size: 1,883 (83%)

OVERDUE LIABILITIES in the sample REDUCED by: 36%

INCREASED Property Tax (physical entities 2020): 9.7%

FULL Payment reaction 26.8% without CG 1.1%

DIFFERENT TARGET, NON-COMPLIANT LESS THEN 50 EUR, BUT IMPORTANT EVENT, ABOVE 50 EUR FORCED COLLECTION PROCEEDURE INITIATED FOR OTHER NON-COMPLIANT TAX PAYERS > 50 EUR, MAY HAVE IMPACT

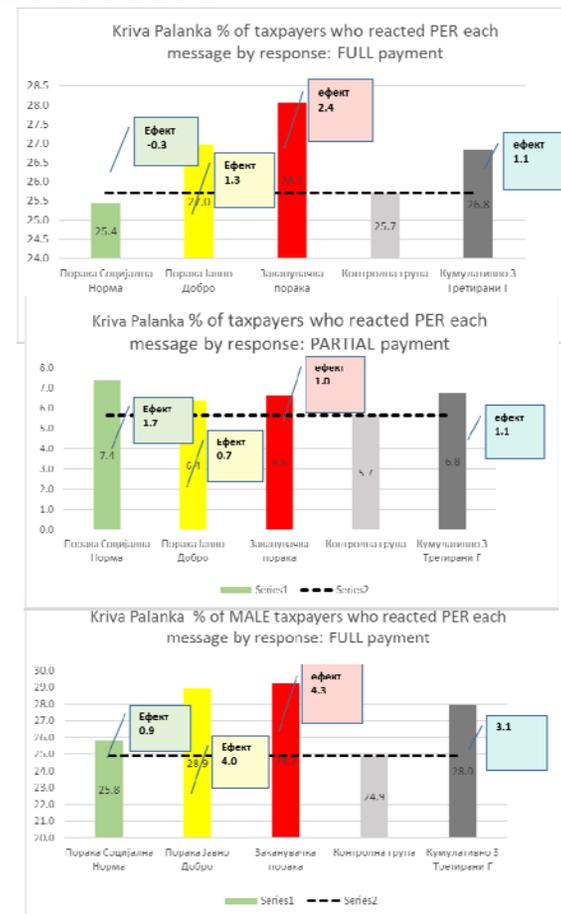
The cumulative effect of the intervention: collected funds from the overdue liabilities (excluding the collection from the CG) for the municipality is a decrease of 36% of the claims of the sample

Social Norm effect: 25.4%/ -0.3% of taxpayers who had overdue outstanding debt for PT for a long period, fully settled their debt after being sent a message with the intention of influencing their social values that they are one of the minority taxpayers in the municipality who do not fulfill your obligation unlike other taxpayers in their community.

Public Good: 27% /1.3% of taxpayers who had overdue outstanding debt for PT for a long period, fully settled their debt after a message was sent to them by influencing their values to encourage the contribution to the public good - taxes are used exclusively for their local public community needs.

Deterrence: 28% / 2.4% of taxpayers have fully settled the debt of property tax, after a message was sent calling for unfair treatment of others in the community and that the municipality is determined to collect taxes through an enforcement procedure, the so-called deterrence message.

Local effect gender for smaller amounts of liabilities? Males reacted in higher percentage and the most effective is the deterrence followed by almost equally the public good, but no effect on the females. However for partial payment for females there is an effect through social norm



OVERALL IMPACT

Massages have impact and depends on many variables, e.g.. smaller communities react to social norm and public good better, larger communities and overall to deterrence

The liability (overdue) reduction **ranges from 3%-14%, and 7%-36%:**

Reaction from treatments with full liability payment (above CG) ranges from 2.2%-8.3%, **average 8.8% in number of persons, in the second round this is lower, average 4.7% in number of persons**

Increase revenues from property tax (relative to 2019 Revenues) ranges from **2.4%-9.7%, average 4.7%, and 3.5%-16%** (compared to revenues from property tax in 2020* lower in value due to corona crisis)

TRANSLATED INTO PROPERTY TAX COLLECTION **POTENTIAL** under conservative assumption (of 4.7% of Property Tax increase) this will mean

- +0.78 mil EUR Property Tax Revenue from physical entities,
- +2.5 mil EUR Property Taxes Revenue

OVERALL THE TAX PAYERS ARE IN NEED OF INFORMATION AND IT DRIVES THEIR BEHAVIOUR TOWARDS INCREASED TAX RESPONSIBILITY

RAISING AWARENESS & CITIZEN ENGAGEMENT



ДАНОЧНАТА СТАПКА НА ИМОТ

Се движи во рамки од 0,1% до 0,2% во зависност од општината

↓ 1/2

е износот за кој може да се намали данокот на имот за станбена зграда или стан, во кој обврзникот живее со членовите на семејството.

0,1% Стапка која е најчесто практикувана од општините

CEA

Кој има директни придобивки?

Локалните жители кои најмногу ги користат услугите од општината, како што се: образованието, локалните патишта, комуналните услуги и слично.

CEA

ДАНОЧНА ОДГОВОРНОСТ

НОВИ МЕТОДИ НА ДАНОЧНАТА АДМИНИСТРАЦИЈА КОИ ВЛИЗААТ ВРЗ ГРАЃАНИТЕ ЗА ПОДМИРУВАЊЕ НА НИВНИОТ ДАНОЧЕН ДОЛГ

CEA

Даночни обврзници

ДАНОЧНА ОДГОВОРНОСТ

Носители на политики

CEA

31 МАРТ

Општината има обврска до 31 март да го утврди данокот на имот. По донесување на решението за данок на имот, општината има обврска исто да го достави до даночниот обврзник.

ДАНОЧНА ОДГОВОРНОСТ

РЕШЕНИЕ

ДАНОК НА ИМОТ

CEA

РЕДОВНА КОМУНИКАЦИЈА СО ГРАЃАНИТЕ

Може да се приберат и до **3** милиони евра дополнителни приходи на ниво на цела земја

Како? Зошто? За која намена? се трошат прибраните локални даноци

ОПШТИНИ

Директна комуникација, отчетност и транспарентност водат до ефикасен даночен систем во една општина!

Извор: СЕА - ПРОЕКТ "За даночна одговорност - кон граѓанска одговорност и одговорни даноци"

Овој материјал е изготвен во рамките на Проектот "За даночна одговорност - кон граѓанска одговорност и одговорни даноци". Содржината на материјалот е единствено одговорност на авторот и не може да се смета дека ги одразува ставовите на Европската унија.

CEA

Процент на даночни обврзници кои целосно го подмириле својот даночен долг

10,0% Писмо за општествена норма
Поттикнување на свест

8,8% Писмо за јавно добро
Приказ за исполнета јавна услуга

11,6% Предупредувачко писмо
Присилна наплата на даноци

Методи кои даночната администрација може да ги примени во комуникација со граѓаните за повисока наплата на даноците.

Извор: СЕА - ПРОЕКТ "За даночна одговорност - кон граѓанска одговорност и одговорни даноци"

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ДАНОЧНА ОДГОВОРНОСТ

Директна комуникација, отчетност и транспарентност водат до ефикасен даночен систем во една општина.

Ова го потврдија и нашите примери од пракса спроведени во изминатиов период.

CEA

Поттикнување на свест

РЕЗУЛТАТИ:

17%

од даночните обврзници во две општини од истокот ги платиле заостанатите даночни обврски за данокот на имот

За граѓаните на две општини од истокот свеста кон заедницата е на повисоко ниво

Предупредување за присилна наплата

РЕЗУЛТАТИ:

6%

Речиси 6% од даночните обврзници во една општина од западот ги платиле заостанатите даночни обврски за данокот на имот.

За граѓаните на општина од западот грижата и стравот од постапка за извршување ги мотивирала да го платат заостанатиот долг

CEA

THANK YOU!

WWW.CEA.ORG.MK

**WWW.CEA.ORG.MK/PROEKT-ZA-DANOCHNA-ODGOVORNOST-
KON-GRAGANSKA-ODGOVORNOST-I-ODGOVORNI-DANOTSI/**