Nudging Taxation

Tax morale and the value of data

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Vegetarian vs. Non-vegetarian buffet at conference setting

**Group 1:**
At the conference a non-vegetarian buffet will be served for lunch. Mark if you would like to have a vegetarian dish prepared for you.

**Group 2:**
At the conference a vegetarian buffet will be served for lunch. Mark if you would like to have a non-vegetarian dish prepared for you.

![Bar chart showing the results of the survey.](Image)

- **Non-vegetarian**: 98% (n = 56)
- **Vegetarian**: 87% (n = 52)

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**Nudge: Improving Decisions About Health, Wealth, and Happiness**

A nudge is any aspect of the choice architecture that alters people’s behavior in a predictable way without forbidding any options or significantly changing their economic incentives.

- Thaler & Sunstein
  2008, 6

A nudge is a function of any attempt at influencing people’s judgment, choice or behaviour in a predictable way, that is (1) made possible because of cognitive limitations, biases, routines, and habits in individual and social decision-making posing barriers for people to perform rationally in their own self-declared interests, and which (2) works by making use of those limitations, biases, routines, and habits as integral parts of such attempts.

Thus a nudge amongst other things works independently of:

(i) forbidding or adding any rationally relevant choice options,
(ii) changing incentives, whether regarded in terms of time, trouble, social sanctions, economic and so forth, or
(iii) the provision of factual information and rational argumentation.

Hansen, PG (2016) The Definition of Nudge and Libertarian Paternalism: Does the hand fit the glove? The European Journal of Risk Regulation

“Any intentional aspect of a choice architecture that should not influence behaviour in principle..., but does in practice

Hansen, PG (2016) The Definition of Nudge and Libertarian Paternalism: Does the hand fit the glove? The European Journal of Risk Regulation
Nudging – A Science

1. The systematic use of evidence-based behavioural insights
2. Dual process cognitive theory
3. The use of scientific methods for effect-evaluation

An Overview of Nudging Practices


Service et al (2012) EAST: Four simple ways to apply behavioural insights, Behavioural Insights Team


Hansen, PG (2017) BASIC – A Practitioner’s Methodology to applying Behavioural Insights in Public Policy Making, forthcoming
Case: Companies filing for Tax 2016

Partners: Danish Taxation Authorities & iNudgeyou

År: 2016
**Behaviour**

- All Danish companies have to file VAT- and Tax
- In 2015 approximately only one-third of Danish companies (35 %) filed their Tax on time.
- Lack of conformity results in unnecessary costs and administration for The Danish Taxation Authorities as well as companies.

**Analysis**

- Since 2008 TAX has made it easier for citizens to file their tax by pre-filling the individual tax report as well as made this a pre-set choice unless you actively make changes.
- Start-ups and small companies might not be aware that all Danish companies still have to actively file their VAT- and Taxes.
- In addition, companies might not be particularly motivated or might stall in the process of filing their tax.
A long series of studies have shown that a simple reminder, e.g. within Health, often makes a big difference in conformity to rules and agreements, see e.g. (Hasvold & Wotton 2011; Stubbs et al 2012).

A suggestion that an e-mail reminder (e-boks) should be sent to all companies that haven’t filed their taxes one week prior to deadline.

Integration of loss-aversion in the mail that emphasises the potential loss by not filing tax on time – an information that prior to 2015 had only figured as part of the body of the letter.
Intervention

Sample
n = (219.367)

Randomisation
n = (219.367)

Control: Recipients in 2015 who did not get a reminder e-mail

Loss Aversion (LA)
Treatment + Attention
n = (39.787)

LA Treatment + Attention + Ego-consistency (EC)

n = (39.790)

LA Treatment + Attention + EC + instructions
n = (39.790)

65%
74%
74%
74%
00%
10%
20%
30%
40%
50%
60%
70%
80%

Control (2015)
Loss Aversion (LA)
LA + Ego Consistency (EC)
LA + EC + STEPS + adenQon

Continuation

• TAX adopts the combination of e-mail reminders and loss aversion as effective strategies in getting companies to file their tax on time

• The team responsible for the 2016 trial will monitor 2017 intervention and develop it further

• Results are to be distributed throughout the Danish and European Nudging Networks

Literature


Behaviour

Analysis

Solution

Intervention

Continuation

Behavioural reduction

Process chart

Attention

Belief formation

Choice

When

Behavioural Pattern

Defaults

Salience

Prompts

...”

Intervention &
experimental
design

Proto-test
of

treatment

Control

measurement

Implementation

Monitoring

Maintenance

Knowledge

Dissemination

Behavioural reduction

Hotspot-analysis

Current

behaviour %

What

impl.

intentions

Substitution

sample

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Solution domain

Diagnostic domain

Planning tools

Stimulus control

Cognitive resources

Goal balancing

Identity drivers

Status quo bias

Symmetric choice-default

Sunk cost effect

Diagnostic domain

Attention

Distractions

Framing of prospects

Framing of motives

Trust signals

Intuitive coding

Directed information

Triggers

Branding

Perceived relevance

WYSIATI

Planning error

Simplification

Anchoring

Descriptive norms

Status cascades

Authority

Priming

of motives

Ego-consistency

Social conformity

Reciprocity

Fairness

Inequity

Morality

Sunk cost effect

Lost costs

Loss aversion

Complex causal relations

Information overload

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