

# BEHAVIOR CHANGE IN TAX COLLECTION



## EFFECT

Increasing the number  
of tax-payers



Customer  
Ministry of Taxation

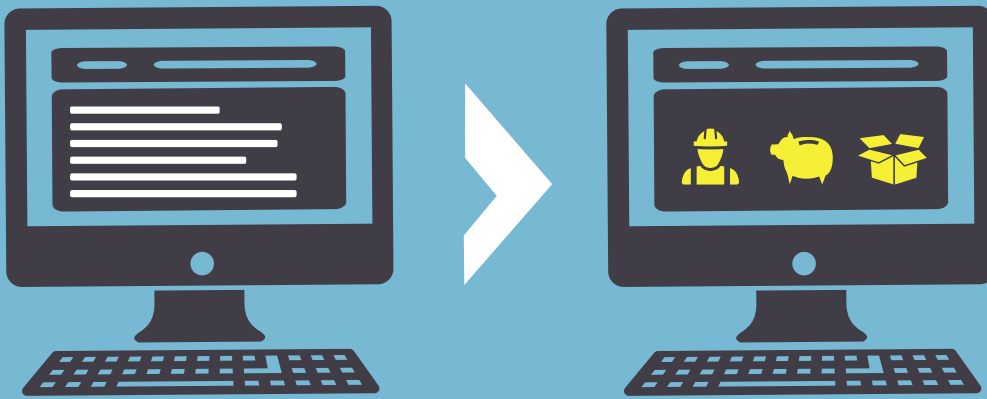
In this article, researcher Andreas Maaloe Jespersen gives a case presentation of how Sille Krukow implemented the nudge-approach to help young people comply with complex tax regulation.

In 2011 The Danish Ministry of Taxation had a problem with getting young people (15-25 year olds) to pay their taxes. This problem had persisted for years despite the Ministry's enormous effort to publicly address the consequences of tax evasion through a series of information campaigns. We often think of tax evasion in terms of an intentional action and seek solutions that address it as such. This aspect is clearly seen in the multitude of earlier solutions where information campaigns were employed to shame the avoiders into paying their taxes on time by highlighting the egotistical nature of tax avoiders.

Instead of creating yet another information campaign, Krukow started out by assessing the problematic behavior first-hand. Interviews with adolescents indicated that they didn't fit neatly into the "egotistical" stereotype. They claimed that they did want to pay their taxes, but that they found the highly complex layout of the digital tax forms alien and incomprehensible.

Furthermore, we found that they did not fully understand how changes in their economic situation should always be reflected in an updated tax assessment notice. These two insights highlighted the need for a different type of solution than simply telling them to "get it right or face the consequences".

## THE DESIGN SOLUTION



**REDUCE COMPLEXITY:**  
Humans almost always react negatively when faced with high levels of complexity. Good behavioral designs should reduce technical complexity for the user.

### Keeping it Simple

The central piece in our solution was an adaptation of a visual universe that the target group knew and understood from the online world they were familiar with. By structuring the visual elements of the tax guidelines around situations involving changes in economic situations, we ensured that the adolescents fully understood exactly when updates were needed. But creating the right structure for the guidelines was only half the job. To make them effective we needed to divert the target group's attention to them at just the right time.

To solve this we observed when and where young people communicate about changes in their lives that involved economy. By registering key words: work, job, move, study etc. we could tap into the ad-word algorithms and engage the target group at exactly those points where the tax-guidelines would be helpful to them.

Facebook provided just the right platform. On Facebook young people readily let their network know when they move away from home, get a new job or begin studying. In addition to Facebook, KRUKOW found that adults always played a key part in situations where adolescents needed to be aware of situational changes that required them to update their tax registration. These adults included student councilors, financial advisors in banks, employers in businesses with a history for hiring mainly student workers and similar key persons. By providing these with the right tools we would ensure that their students, customers and employees would have the relevant information (but nothing more) at just the right time.

### Promising Results

The final implementation focussed primarily on the first step – a reduction in complexity and adaptation of guidelines centered around situations rather than simple provision of information.

So far these minor changes has led to an increase in use of the tax guidelines by seven percent and an increase in changes to tax forecasts done by the target group (15-25 year olds) by 20 percent compared to previous years.

#### MEASURABLE CHANGE:

Measured against an original baseline, the experiment utilizing right info at the right time and the implementation of a recognizable visual universe, brought about a 20 percent increase in tax registration within the target demographic and a seven percent increase in use of the tax guidelines.

