# Improving tax compliance

Claims for work-related expense deductions are large. $22 billion was claimed in 2015-16. Even small amounts of over-claiming can lead to large revenue impacts.

Eligible work-related expenses include car and travel expenses, clothing, education and more.

We tested the effectiveness of **a letter that draws on behavioural insights** to notify selected tax agents they had higher than expected work-related expense claims for their clients.

* Social norms: We compared agents making higher than expected claims against other agents.
* Availability bias: We made it clear how infrequently other tax agents make higher than expected claims.
* Saliency: we reminded agents higher than expected claims are likely to attract closer scrutiny by the ATO.

The letter led to more amended claims with **reduced work-related expenses and increased tax paid** (amended claims compared to the control).

* Agents who received the letter reduced their average client claims by $191.
* Agents who received the letter increased the average tax paid by their clients by $76.

If we had sent the letter to all tax agents in this trial, we expect **tax revenue would have increased by about $1.7 million.**

Low-cost, well-targeted and well-designed communications, incorporating behavioural insights, can increase tax compliance and revenue to fund services for Australians.

## Social norms

## Availability bias

## Saliency