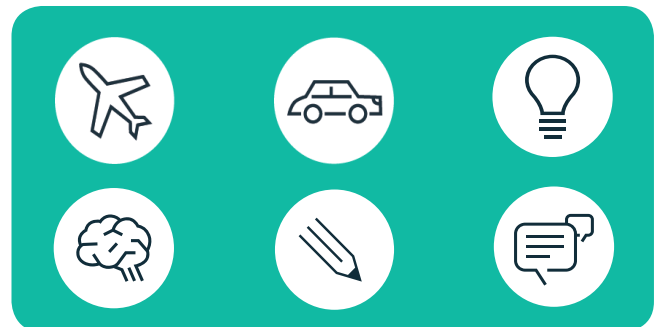




# Improving tax compliance

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.**

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**

Amended claims compared to the control

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.