



Tax Administration
Research Centre

“Welcome to the
First Edition of
the TARC
Newsletter”

TARC Newsletter

July '13 Edition



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Welcome to the first newsletter of the Tax Administration Research Centre. We hope the newsletter conveys our excitement at the opportunity the Centre provides to advance knowledge and practice in tax administration.

The Centre is a partnership between the University of Exeter and the Institute for Fiscal Studies. It brings together tax administration researchers from across the UK, and has worldwide connections through our International Fellows. Our funding is provided by the ESRC, HMRC, and HMT but we are independent of our funders and all research will be undertaken and reported impartially.

Over the coming years the Centre will undertake a wide variety of research projects using many different research methodologies. This newsletter will give an insight into some of the initial research projects that are now underway.

Gareth Myles
Director, Tax Administration Research Centre

Featured TARC Research Project: Analysis and Simulation

The role of TARC is to investigate tax administration using a variety of different research methods. These include analysing data, conducting experiments, and undertaking surveys. The research of TARC also includes purely theoretical work on tax compliance and auditing. The project we highlight in this edition of the newsletter is drawn from the theory side of TARC.

Agent-based simulation has proved a useful research tool in both the natural sciences and the social sciences. The simulations create a set of agents and an environment, provide the agents with behavioural rules, and then allows the agents to interact.



A prime example from the natural sciences is the predator-prey model that shows how populations evolve over time. Consider an area of countryside that is populated by sheep (prey) and wolves (predators). The sheep eat grass, reproduce, and occasionally are discovered by wolves and eaten. The wolves expend energy searching for sheep. If successful they reproduce but if unsuccessful they die of hunger. This scenario can be simulated to predict how the initial population and fertility levels will affect the balance of the two populations over time.



This simulation method is being applied to tax compliance by Nigar Hashimzade, Gareth Myles, and Matt Rablen. In their model the agents are the individual taxpayers and the revenue service. The individuals have a choice between employment where income is taxed at source, and self-employment where the income is uncertain but is not observed by the revenue service. Choosing self-employment then provides the opportunity to engage in non-compliance. The revenue service chooses which tax returns to audit. As the simulation evolves individuals exchange information about the activities of the revenue service from which they form beliefs about its activities. They also learn about the compliance behaviour of other taxpayers, and form attitudes about the importance of correct tax compliance.

The results that emerge from the simulations show that individuals who are willing to work in occupations in which income is uncertain are also the individuals who are most likely to engage in non-compliance. The two behaviours are both explained by the willingness to engage in risky activities. On their side, the tax authority is able to reduce the level of non-compliance by using this fact to target audits on the most likely offenders. This underlines the importance of predictive analytics as a tool for improving compliance behaviour. Further information on the research programme of the Centre can be found [here](#).

The 22nd Annual Tax Research Network Conference

3rd and 4th September 2013

The annual conference will be held this year at the University of Exeter Business School. The conference is sponsored by the Chartered Institute of Taxation, the Institute of Chartered Accountants in England and Wales, and the Institute of Chartered Accountants in Scotland.

The organizers, Professor Lynne Oats, Dr Greg Morris, and Dr Ann Hansford, have secured an eclectic mix of research papers from international and UK based members of TRN.

These range from taxing virtual worlds, through alternative approaches to taxing cross border transactions and the consideration of moral reasoning in tax, to a range of papers looking at tax planning.

The full list of accepted papers is available at: <http://trn.taxsage.co.uk/wp-content/uploads/2013/05/TRN-2013-Accepted-Papers.pdf>

For further information please contact: Lynne Oats (L.M.Oats@exeter.ac.uk)

HMRC Open Day

On 19th April HMRC hosted an open afternoon, providing the opportunity for TARC researchers to meet HMRC analysts, gain an understanding into issues they are working on and the issues they face on a daily basis.

TARC Director Gareth Myles began the afternoon by giving an overview of the Centre and its research programme. HMRC analysts then presented six areas of current work, ranging from evaluating customer experience to using data analytics in compliance work. This was very useful in helping researchers see how their interests fitted with those of HMRC. Over coffee, there was time for further interaction, and this was followed by more detailed breakout sessions on specific parts of the Centre's research programme. This provided very valuable comments on the programme and allowed a number of useful contacts to be made.

Overall, the day was a huge success, enabling HMRC staff and Centre researchers to get to know each other and helping to develop the Centre research programme.



Diana Onu, Associate Research Fellow



1. Introduce yourself

My name is Diana Onu and I joined TARC in May as an Associate Research Fellow. My PhD was in social psychology, so I have been socialised (indoctrinated?) as a researcher to look at how our values, attitudes, and identity determine how we act as society members. Fortunately enough, I have also had exposure to other perspectives through studying economics for my undergraduate degree, and through working alongside sociologists and public policy researchers.

I live with my partner in a very small village in Dartmoor National Park. The development is actually an old converted mental health institution, a fitting place for two psychologists! It's a beautiful place. I love the wide views across the rural landscape, not least because they remind me of the rich green hills of northern Romania where I grew up.

2. Describe your role in general

I work on the research stream of TARC that investigates taxpayers' values and motivations, supporting the work of Professor Lynne Oats. My experience of online and offline survey research should come in handy in a few months' time when we start surveying participants, as well as my experience of measuring attitudes and values.

3. What do you enjoy most about your role

The applied nature of the project. I believe that high-quality research should be relevant to current societal issues and policy-making.

4. What are you currently working on

At the moment, I am looking at research on taxpayers' attitudes and motivations conducted around the world to understand how the methods and concepts developed elsewhere may be applicable to researching tax behaviour in Britain.

5. What is the most interesting or exciting thing you have ever done

Hmm... Some of the things that come to mind are: snorkelling among corals and tropical fish in Western Australia, meeting brown bears while hiking in the Romanian mountains, and walking the long-distance West Highland Way in Scotland.

On 26th March, Chris Heady had a meeting with representatives of the OECD Centre for Tax Policy and Administration (CTPA) and the International Tax Dialogue (ITD) to inform them of the existence of TARC, to outline TARC's research programme and discuss the ways in which the CTPA and ITD could co-operate with TARC. There was great interest in, and support for, TARC. There was also agreement that co-operation between us would be mutually advantageous.

The parts of CTPA that are most relevant to TARC are the Forum on Tax Administration (FTA) and the Working Party on Tax Policy and Tax Statistics (WP2). The FTA is deciding which of our research areas are particularly interesting to them and ways in which they would like to see them develop, and will inform us in due course. WP2 would like somebody from TARC to make a presentation to their country Delegates and are considering whether this could be fitted in to their November meeting.

Meanwhile, the ITD is considering how best to publicise TARC's research programme at its next conference and may be able to invite somebody from TARC to give a talk there. On our part, we have strengthened relations with the ITD by appointing Richard Stern (the main World Bank representative to the ITD) a TARC International Fellow.

Dates For Your Diary

Association of Public Economic Theory

Date: 5th, 6th & 7th July

Venue: Catolica-Lisbon, Portugal



Tax Research Network Conference

Date: 3rd & 4th September 2013

Venue: Exeter Business School



General Information

To keep up with the latest news from TARC please send an email to: tarc@exeter.ac.uk to subscribe to our email newsletter, or visit tarc.exeter.ac.uk for more information.

