



Tax Administration
Research Centre

Policy Paper

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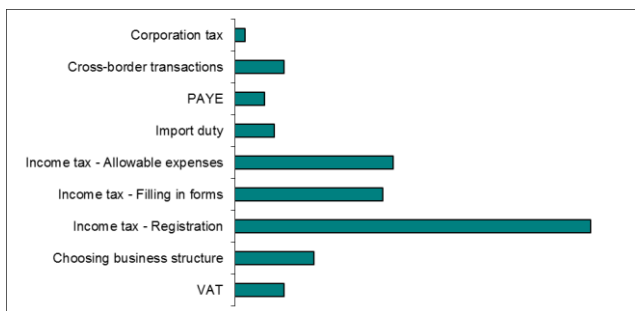
EXPLORING ONLINE TAX DISCUSSIONS

At the Tax Administration Research Centre, we carried out two studies to analyse Internet discussions about tax among freelancers. This is the first use of such social media data in tax research; this policy brief outlines our main findings and discusses the potential for data from social media to be used in future research for understanding taxpayers' behaviour.

DATASET

We collected and analysed over 400 comments from discussion about tax on online discussion forums for freelancers in the UK. The majority were collected on a general forum for freelancers, where people can discuss any aspect of starting and running a business, including tax. Some comments were also collected on forums dedicated to specific professions (construction industry, hairdressing, doctors, nurses, IT consultants, artists, and others). All the discussions collected are publicly-available.

These were mostly self-employed individuals or micro-businesses. We show below the spread of topics discussed in terms of types of taxes.



People generally start discussions to seek advice at key points when their situation changes, such as becoming self-employed,

taking on the first employee, filling the first self-assessment, or approaching the VAT threshold.

STUDY 1. MAIN THEMES DISCUSSED ONLINE

We conducted thematic analysis on the dataset, a method of qualitative data analysis that helps extract the main themes from text data. This gives us an idea of what most people talk about when discussing tax on these forums for freelancers.

Below, you can see the main themes of discussion. The main subjects were: (1) tax laws and regulations; (2) tax authority; (3) tax practitioners; (4) practice and advice of other taxpayers in the social network. There were several ways in which all of these themes were discussed. For instance, some discussions about tax laws were about understanding the law, others about finding the most advantageous legal circumstances (e.g., what business structure is most tax-efficient, which tax exemptions and incentives apply to their business, etc.).

The image below presents the main subjects (dark bubbles), the relative size of the bubble showing how important this was a topic of discussion. Next to each main bubble we categorised the ways in which taxpayers relate to each of the subjects.



IMPLICATIONS OF STUDY 1

1. High compliance intentions, but support needed. The large majority of discussions were about understanding how to be compliant with tax laws. Our analysis of people’s online tax discussion reflects HMRC’s previous findings that the vast majority of taxpayers are compliant, but many need to be supported.

2. Confusion about rules. Many discussions are prompted by taxpayers finding it difficult to understand the information provided about tax compliance on the HMRC website and other sources. Many people feel that they would benefit from finding out from those in the same situation as them, in plain language, what their tax obligations are. Through the interactive nature of discussions, people can ask specific questions and receive answers they trust. This model could be implemented by tax authorities as part of its educational materials, for instance to present case-studies and experiences from people in the most common trades.

3. The role of occupational groups. As outlined above, people seek and trust information from others in the same trade about how to declare income, what items are allowable expenses, etc. These professional networks

may become partners for tax authorities to educate those starting out in particular self-employed professions.

4. Insights about HMRC customer service.

While some comments discuss that they have found it difficult to contact the tax authority, the majority recommend HMRC’s local offices and call centres as very helpful. Online discussion may provide insight into how customers discuss their experiences and customer satisfaction.

STUDY 2. PEER PRESSURE TO COMPLY.

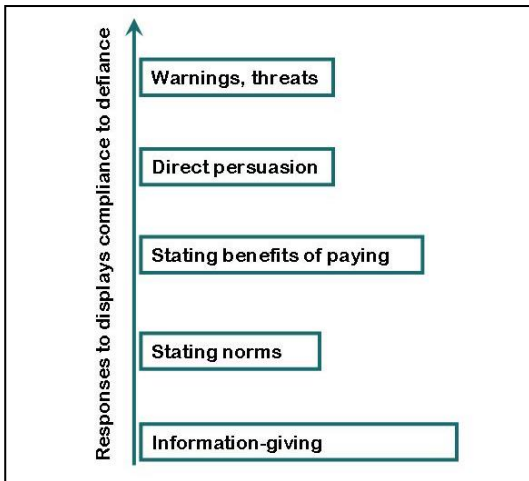
In this second study we analysed a sub-set of the large dataset in more depth to look at how these online discussions may affect people’s decisions to comply with tax obligations.

In this subset, discussions began with an individual facing a potential compliance decision, as they sought advice about registration with the tax authority, declaring income, deciding which expenses to include, and others. To analyse this subset, we used discourse analysis, a qualitative method focused on understanding the nature of the interaction in communication. We were interested to find out how people react to those facing a compliance decision, and how they try to influence them to comply.

We found that generally in these discussions, people used a variety of persuasion techniques on their peers to convince them to comply with their tax obligations.

These techniques ranged from (1) giving information about how to comply; (2) stating that compliance is the norm in the profession and any reputable entrepreneur complies with tax obligations; (3) state the benefits of being legitimate, such as dealing with clients, having ease of mind, better management of finances; (4) direct persuasion – telling people directly that they need to comply; and (5) issuing warnings and threats about being audited, receiving penalties, losing one’s reputation.

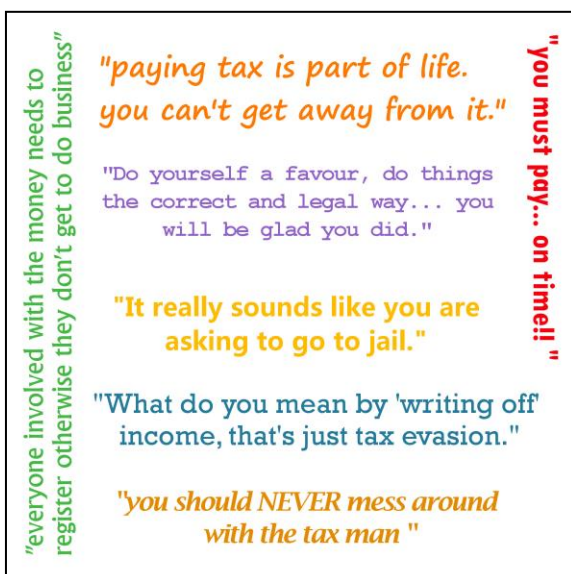
In many cases, the ‘softer’ persuasion techniques (1-3) were used on people who showed higher intentions to comply, while the more direct techniques (4, 5) on people who showed resistance or even defiance towards compliance, as illustrated below.



IMPLICATIONS OF STUDY 2

1. Taxpayer communication appears to encourage compliance. Recent attention has been given to the communication of taxpayers in social networks, but much research looks at how people spread information about ways to avoid or evade taxes. However, here we show that online communication may contribute to higher compliance levels as more experienced entrepreneurs strive to persuade people starting a business to fully comply with tax obligations.

Although there is no way of knowing what effect these messages ultimately have on compliance, they are likely to have some effect since they are communicated by peers who are well regarded in their trade. These insights may aid the design of taxpayer education through case-studies relevant to the trade; they also underline the need to find channels respected in certain trades to communicate about taxpayer education.



2. Behaviour change messaging. There is indication in our dataset that strong persuasion messages such as direct persuasion and issuing warnings and threats cause people to disengage from conversations or express defiance, and that 'softer' messages, such as stressing benefits of paying tax or positive norms are more acceptable. This may be an indication of the types of messages that are likely to be most effective for behaviour change campaigns. In the image below, we illustrate examples of the persuasion messages employed.

FUTURE USE OF ONLINE DATA

These studies represent a first attempt to study tax behaviour by looking at online discussions. There are clear advantages to collecting and analysing online discussion.

These data are free from any interference of the researcher. In most cases, research is carried out through surveys or interviews, where researchers ask the questions that interest them. By contrast, discussions on online social media give us a **representation of those issues that are most important to taxpayers.**

Because tax tends to be a sensitive topic, people are also likely to provide more desirable answers to a researcher than to their peers. It is likely that comments in our dataset **capture more realistic and genuine tax behaviour** from taxpayers than would be displayed in an interview or survey.

While methods such as surveys or interviews look at taxpayers in isolation, social media data gives us the important opportunity to **study communication and interaction among taxpayers.**

Finally, social media data is relatively **fast and cost-effective to collect** and can offer results relating to current issues.

It is important to remember that these analyses are preliminary and more research is needed, both to look in greater depth at specific issues through focused qualitative analysis, but also to collect more data and carry out a quantitative analysis of the content of online tax discussions on a larger dataset.

We include below some suggestions regarding topics we believe are most suitable to be investigated in the future using online social media data.

1. Intelligence about taxpayer education needs. The online environment is ideal for collecting information about (a) the information that taxpayers find most difficult to understand; (b) common misconceptions, particularly within specific occupations; (c) explanations that people find most helpful.

2. Communication channels. Looking at online discussions may inform the most appropriate online channels for communicating public information campaigns and focused messaging.

3. Behaviour change messaging. By collecting online data, researchers can look at which persuasive messages and sources seem most acceptable and influential to taxpayers, to be used in behaviour change interventions.

4. Customer satisfaction. Online discussions may provide indication of areas of the tax authority's customer service that people recommend, but also those that may require improvement.

For other purposes, however, online social media data may not be ideal. We found few

discussions about techniques of tax evasion, or aggressive tax avoidance; given that the discussions analysed are public, it is unlikely that such communication would occur to a large enough extent to provide meaningful results.

It is also important to keep in mind **ethical implications** of collecting data online. Guidelines from the British Psychological Society suggest that online data can be included in analyses without consent when it is public and non-sensitive. However, it is considered unethical to join closed forums or 'connect' with people using online social media in order to collect data from them without their permission.

It is important to remember that, even if people are aware that discussion forums are public, they have a feeling of intimacy of talking to people similar to themselves. We **would not recommend** that an outside institution use such forums to post information directly – it is usually best to first contact forum administrators before posting information so as not to interfere with the sense of intimacy many online communities share.

For the full research reports of the two studies, please refer to:

tarc.exeter.ac.uk/publications/discussionpapers/