Inland Revenue
Te Tari Taake

Communications and Inquiry
Whakawhiti Kōrero me te Pakirehua

National Research & Evaluation Unit
Te Wāhanga ā-motu mo te Rangahau me Aromātai

Filling in the Black Hole: Research and Evaluation into the Hidden Economy

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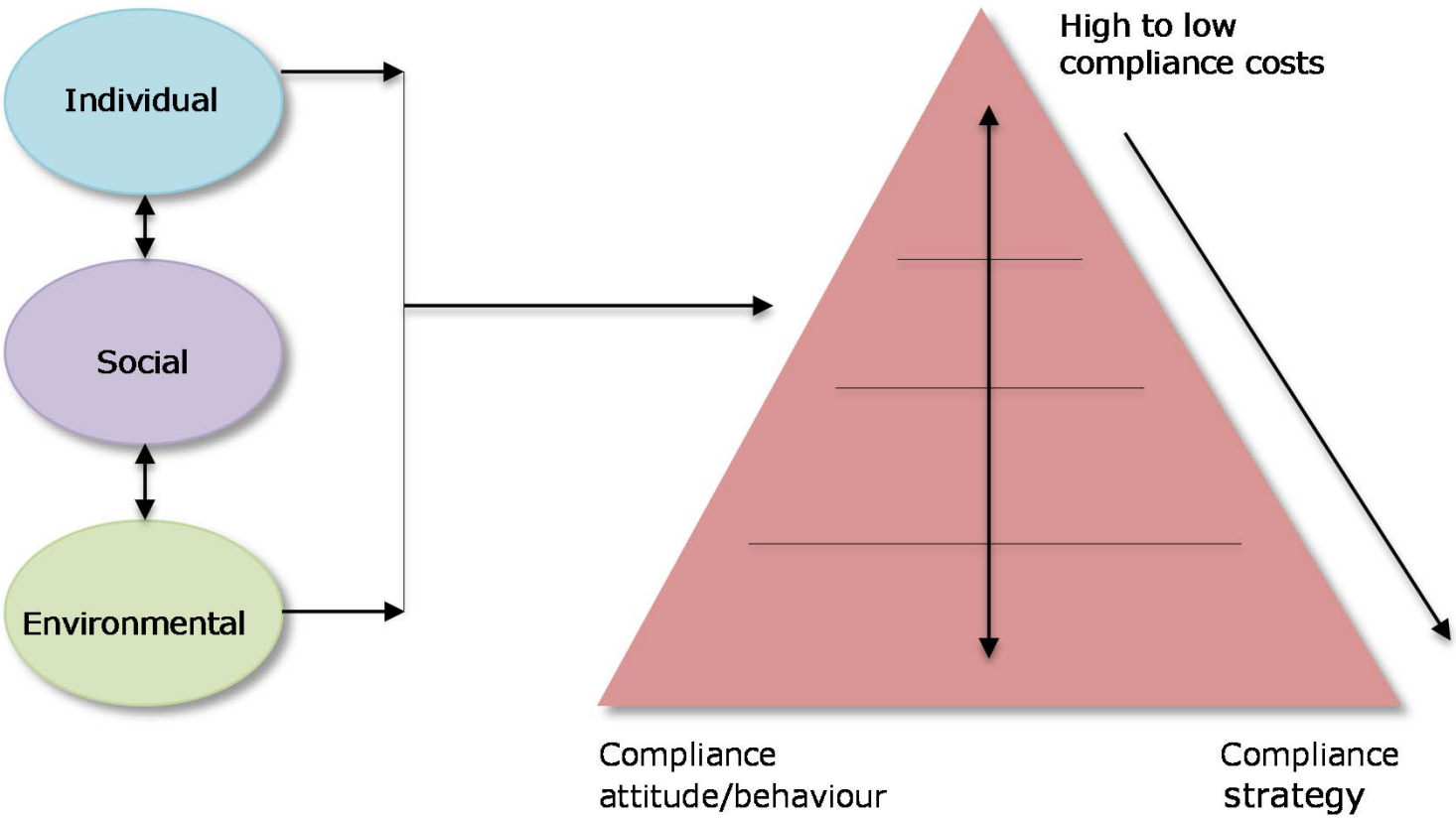
Conceptual basis of Hidden Economy research and evaluation

An ecological approach to understanding taxpayer attitudes and behaviours



Inland Revenue New Zealand's Hidden Economy Research & Evaluation Programme

Components

- Understand individuals' HE attitudes, behaviours, and drivers
- Understand businesses' HE attitudes, behaviours, and drivers
- Understand HE risk posed by special groups of interest
- Investigate the impact of changes in the tax environment
- Inform treatment/ intervention design & implementation
- Evaluate effectiveness of HE interventions/ programmes of work

Methodology

Sample
- National
- Regional
- Community
- Individuals
- Businesses
- Special groups of interest

Mixed Method
- CATI (phone) interviews
- Online surveys
- Paper-based surveys
- Focus groups
- Face-to-face interviews
- Analyses of IR's databases
- Literature reviews

Analyses
- Thematic analyses of qualitative data
- Descriptive and inferential statistics of quantitative data
- GIS software to map data

Outcomes

- Insight into customers' compliance attitudes, behaviours, and norms
- Improved understanding of drivers of non-compliance for different segments of the customer base
- Ensuring that the design and implementation of interventions are evidence-based and responsive to the identified risks
- Inland Revenue to be kept informed of international best practice, and that Inland Revenue's practices remain relevant and innovative
- Increased collaboration and research and evaluation information sharing with other tax jurisdictions

Ecological, longitudinal, and evidence-based approach that positively contributes to influencing taxpayer compliance

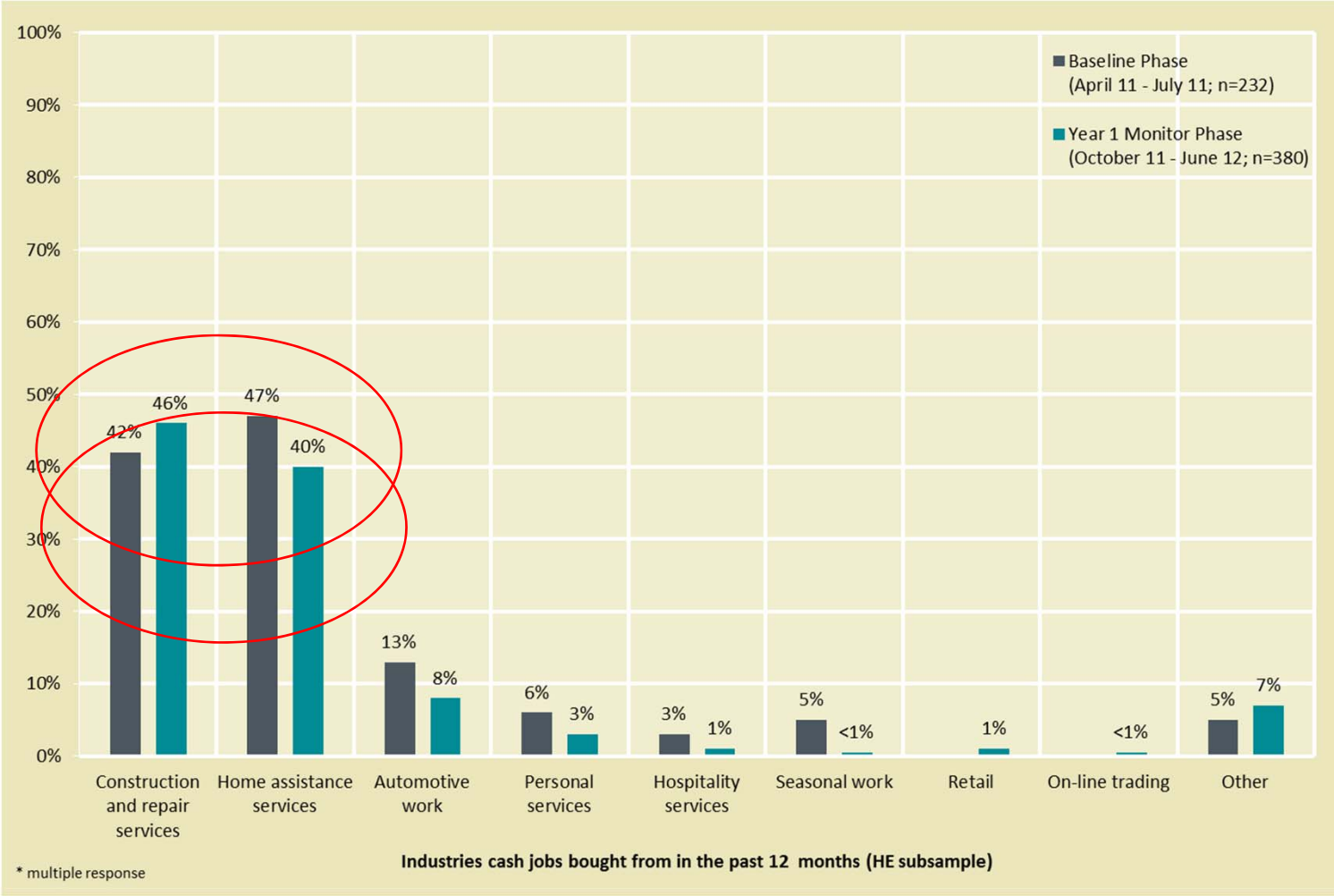
Highlights from the Hidden Economy Research & Evaluation Programme

Measuring the size of the Hidden Economy

- Review of different methodological approaches to measuring the tax gap (Slyuzberg, 2012)

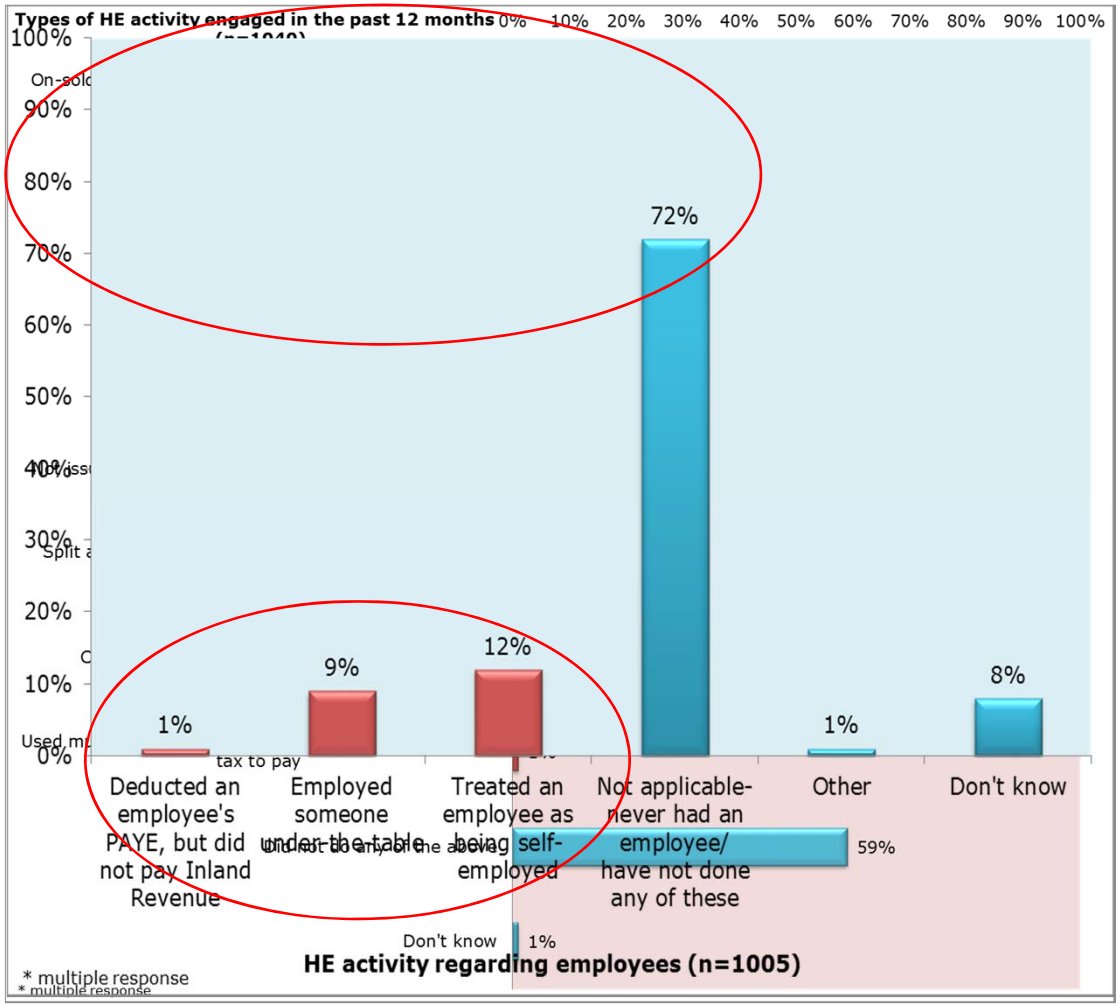
- Concluded :
  - No standard approaches for assessing and interpreting the tax gap
  - Different definitions used by tax authorities
  - Calculations subject to assumptions which cannot always be observed
  - Statistical robustness and accuracy of measurements queried
  - Caution in using tax gap measurements as a proxy measure of HE

Hidden Economy behaviour



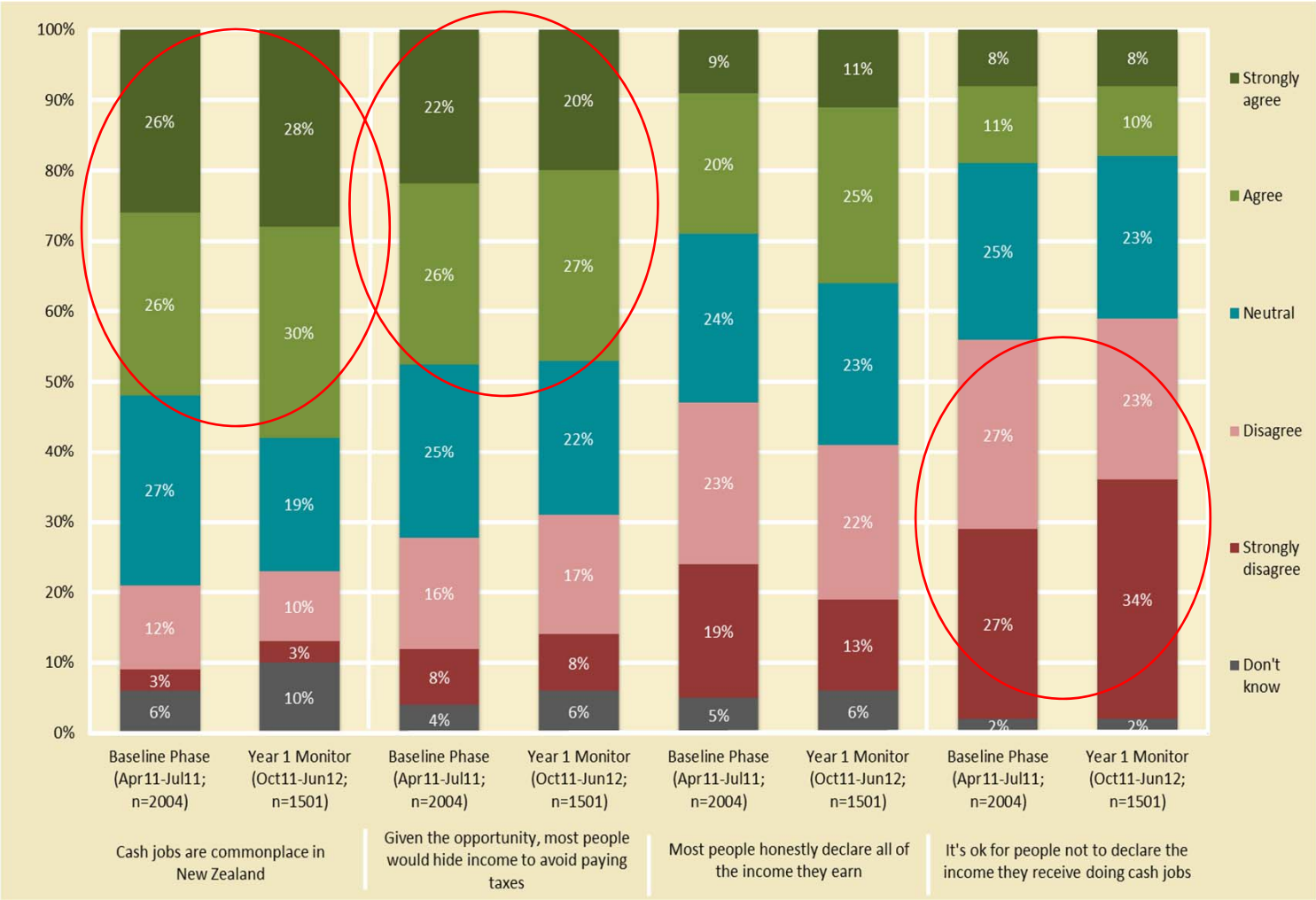
Cleland & Leong (2013)

Hidden Economy behaviour



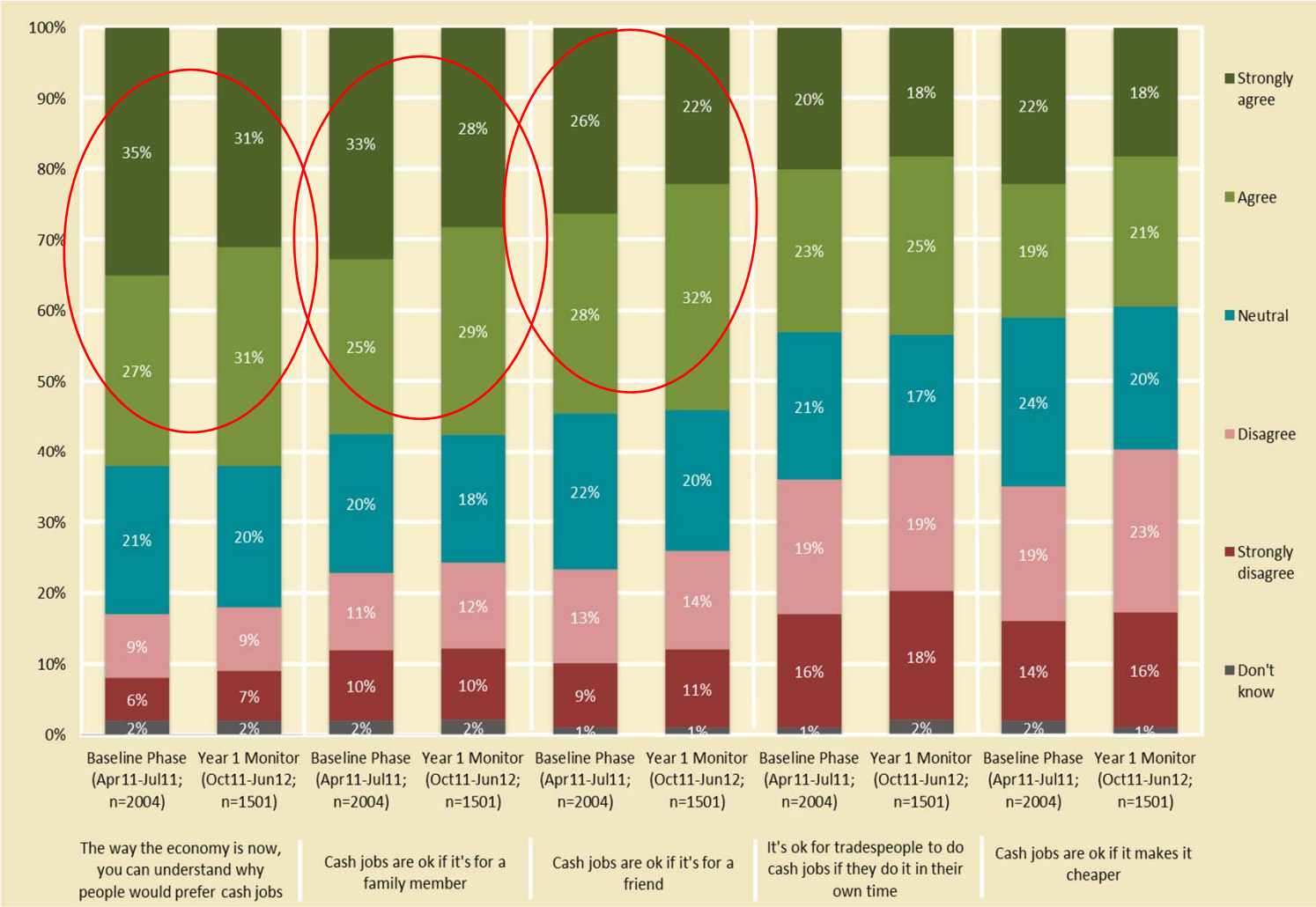
Cleland, Bhaskaran, & Copeland (2012)

Hidden Economy attitudes



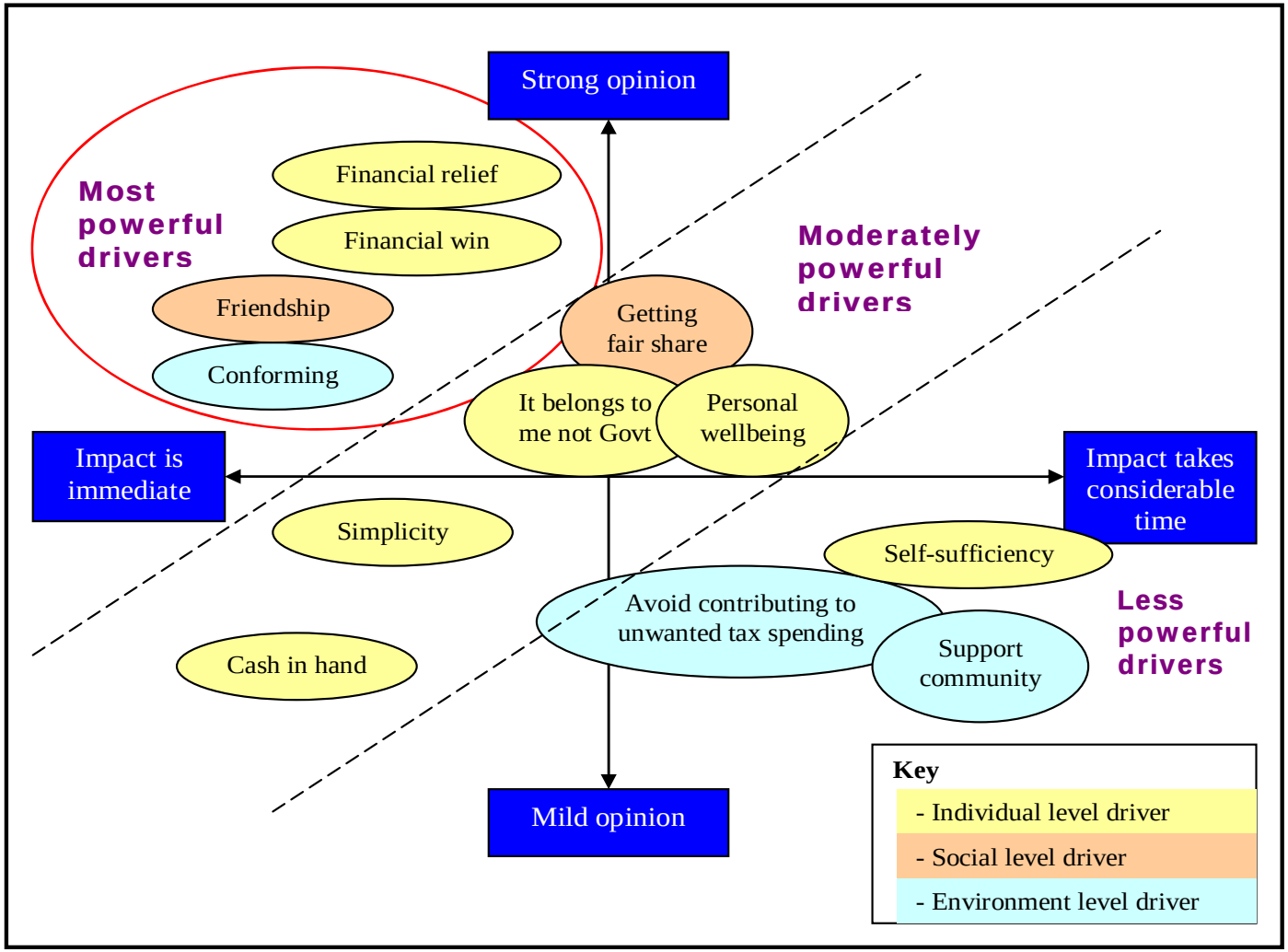
Cleland & Leong (2013)

Hidden Economy drivers



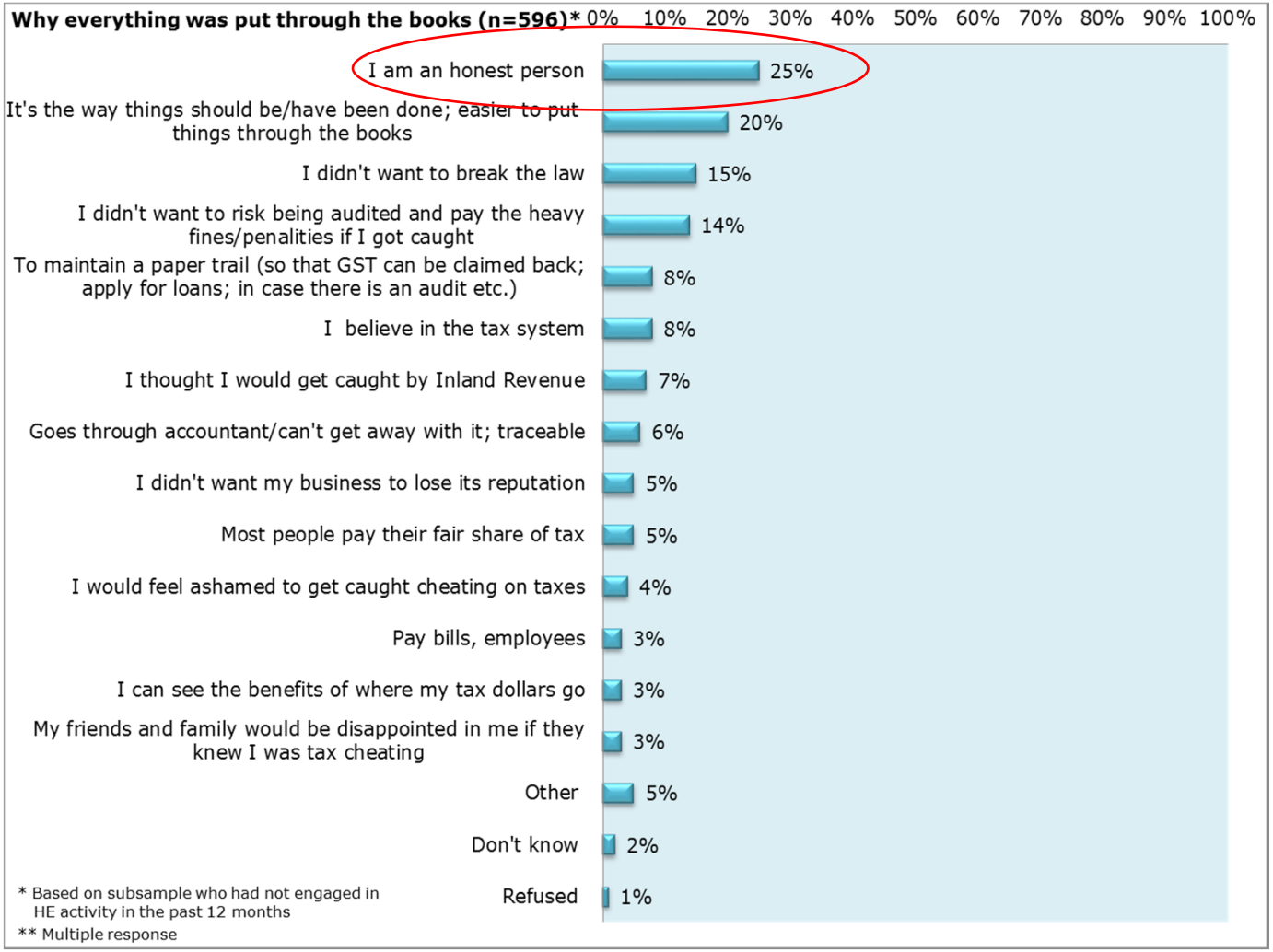
Cleland & Leong (2013)

Hidden Economy drivers



Bickers & Cleland (2011)

Hidden Economy barriers



Cleland, Bhaskaran, & Copeland (2012)

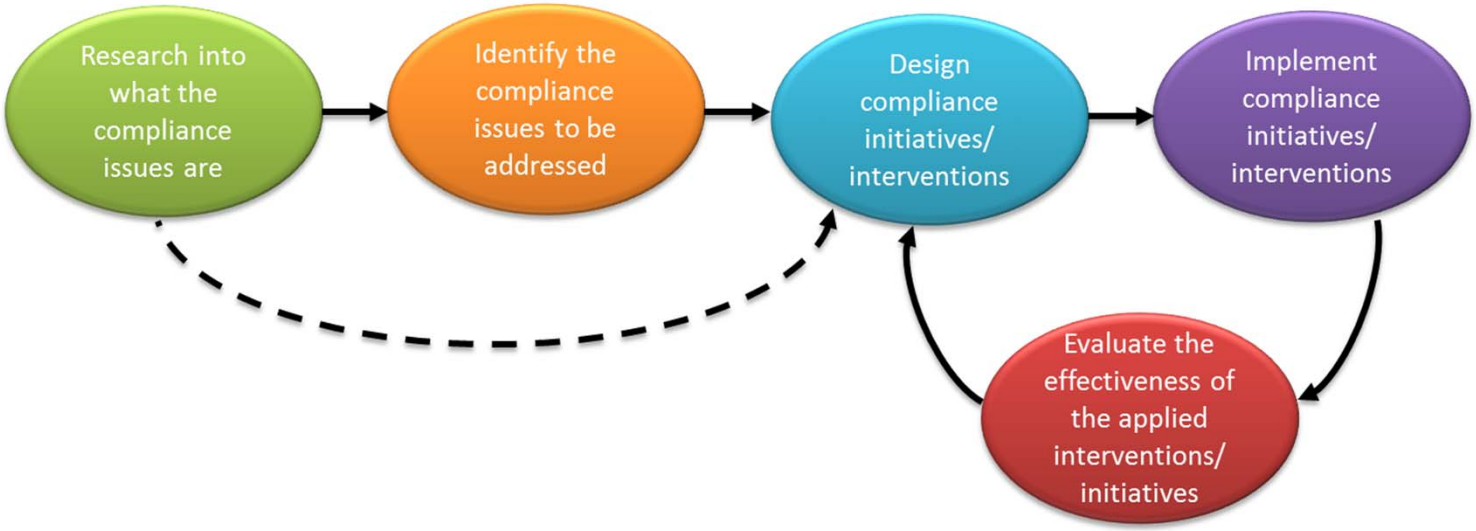
Future likelihood of Hidden Economy activity

Cleland & Leong (2013)

Lessons & Implications

Lessons & implications

- End-to-end campaigns/programmes of work



- Multi-modal and multi-faceted intervention design
- Long-term commitment

Conclusions