

ATTACHMENT A
SCHEDULE OF DOCUMENTS

FOI

Document	Date	Description	Number of pages	Decision
1	23/2/17	RCT Power Calculations – Excel	1	Release in full
2	23/2/17	Rough power calcs – do file	2	Release in full
3	22/2/17	Muck2 – do file	1	Release in full
4	24/2/17	01 power calcs – text document	12	Release in full
5	3/1/17	My Tax Realtime – Powerpoint	22	Release in full
6	4/1/17	Briefing Note – Nudge Message Design – Word	4	Release in full
7	3/1/17	Taxpayer Behaviour Research – PDF	6	Release in full
8	27/6/17	Ethical Risk Assessment – email	4	Release in full
9	17/1/17	ATO MyTax Nudge – Word	1	Release in full
10	17/1/17	Nudge ideas – email	3	Release in full
11	17/1/17	Nudge Idease – email	2	Release in full
12	17/1/17	Nudge Ideas – email	2	Release in full
13	17/1/17	Nudge Ideas – email	2	Release in full
14	17/1/17	Nudge Ideas – email	2	Release in full
15	8/5/17	Agenda – MyTax17 Meeting – Word	2	Release in full
16	8/5/17	Evaluation Strategy – Powerpoint	8	Release in full
17	8/5/17	MyTax RCT Power Calculator – Excel	2	Release in full
18	8/5/17	Nudge Ideas Strategy – Powerpoint	8	Release in full
19	8/5/17	RCT Power Calculations – Excel	1	Release in full
20	8/5/17	RDD Example – Excel	3	Release in full
21	10/3/17	Briefing Note – BETA – RTA Nudge Message – Word	3	Release in full
22	10/3/17	Basic Timeline – Excel	1	Release in full
23	8/5/17	MyTax – Phase2 Project Proposal – Word	2	Release in full

Group	Sample Size	MyTax Sample	Nudge Sample	Average Claim	SD	Variance	MDE (\$)	MDE (%)	MDE (\$)	MDE (%)	p
All	8,591,784	1,071,855	42,874	\$2,531	3796.5	14413412	\$73	2.9%	\$115	4.5%	0.5
Male	4,577,214	571,024	22,841	\$3,102	4652.91	21649571	\$122	3.9%	\$193	6.2%	0.5
Female	4,014,570	500,832	20,033	\$1,880	2819.4	7949016	\$79	4.2%	\$125	6.6%	0.5
19-24 years old	873,734	109,001	4,360	\$1,822	2732.685	7467567	\$164	9.0%	\$259	14.2%	0.5
Major Urban	5,260,354	656,248	26,250	\$2,750	4124.895	17014759	\$101	3.7%	\$159	5.8%	0.5
Income: \$37-80k	1,724,549	215,144	8,606	\$1,235	1852.755	3432701	\$79	6.4%	\$125	10.1%	0.5
Example 1	873,734	109,001	4,360	\$1,822	2732.685	7467567	\$164	9.0%	\$259	14.2%	0.142857
Example 2	873,734	109,001	4,360	\$1,822	2732.685	7467567	\$164	9.0%	\$259	14.2%	0.214286
Example 3	873,734	109,001	4,360	\$1,822	2732.685	7467567	\$164	9.0%	\$259	14.2%	0.05
Example 4	873,734	109,001	4,360	\$1,822	2732.685	7467567	\$164	9.0%	\$259	14.2%	0.1
Example 5	873,734	109,001	4,360	\$1,822	2732.685	7467567	\$164	9.0%	\$259	14.2%	0.25
Example 6	873,734	109,001	4,360	\$1,822	2732.685	7467567	\$164	9.0%	\$259	14.2%	0.3

[illegible]

```

/*****
*****

```

Program name: 01-rough-power-calcs.do

Author: Kailash Rajah

Date created: 19 January 2016

Purpose: Power calculations for myTax17

Input files: 2015 2016 ITR data for T3 TAGs_Edits.xlsx

Output file:

```

*****
*****/

```

clear

set more off

*set maxvar 30000

cd "C:\Users\Laptop 2\Documents\ATO - myTax17"

global data "1. RAW DATA"

global log "4. LOGS"

cap log close

log using "\$log/01-power-calcs.log", replace

*** 1. IMPORT RAW DATA & CLEAN

```

*****

```

*Import data

```
import excel "1. RAW DATA\RCT Power Calculations.xlsx", sheet("Sheet2") clear firstrow
```

```
local obs = _N
```

```
foreach i of numlist 1/`obs' {
```

```
    di "`i'" //del
```

```
    local n1 = round(NudgeSample[`i']*p[`i'])
```

```
    local n2 = round(NudgeSample[`i']*(1-p[`i']))
```

```
    local mean = AverageClaim[`i']
```

```
    local sd = SD[`i']*sqrt(0.5)
```

```
    di "`n'"
```

```
    power twomeans `mean', n1(`n1') n2(`n2') power(0.8) sd(`sd') alpha(0.05)
```

```
}
```

*Risk score 1-7 with R2 assumed to 0.11

*2015 mean and standard deviation

*Assume a low R2 because not getting a full year of data

*sd' - standard deviation looking at agents who lodged less than 5 claims

*2015 mean = 2422

*2015 sd = 994 (all)

*2015 sd = 1.5*Mean = 3633

*R2 = 0.11

*2015 sd' = 938

*2015 sd' = 1.5*Mean = 3427

power twomeans 2422, n1(1143) n2(1144) power(0.8) sd(938) alpha(0.05)

power twomeans 2422, n1(1143) n2(1144) power(0.8) sd(2297) alpha(0.05)

name: <unnamed>

log: C:\Users\Laptop 2\Documents\ATO - myTax17\4. LOGS\01-power-calcs.log

log type: text

opened on: 23 Feb 2017, 17:01:44

```
.  
.  
.  
. *** 1. IMPORT RAW DATA & CLEAN  
.  
. *****  
.  
.  
. *Import data  
.  
. import excel "1. RAW DATA\RCT Power Calculations.xlsx", sheet("Sheet2") clear firstrow  
.  
.  
.  
. local obs = _N  
.  
.  
.  
. foreach i of numlist 1`obs' {  
2.     di "`i'" //del  
3.     local n1 = round(NudgeSample[`i']*p[`i'])  
4.     local n2 = round(NudgeSample[`i']*(1-p[`i']))  
5.     local mean = AverageClaim[`i']  
6.     local sd = SD[`i']*sqrt(0.5)  
7.     di "`n"  
8.     power twomeans `mean', n1(`n1') n2(`n2') power(0.8) sd(`sd') alpha(0.05)
```

9.

. }

1

Performing iteration ...

Estimated experimental-group mean for a two-sample means test

t test assuming $sd1 = sd2 = sd$

$H_0: m2 = m1$ versus $H_a: m2 \neq m1; m2 > m1$

Study parameters:

$\alpha = 0.0500$

power = 0.8000

$N = 42874$

$N1 = 21437$

$N2 = 21437$

$m1 = 2531.0000$

$sd = 2684.5309$

Estimated effect size and experimental-group mean:

$\delta = 72.6465$

$m2 = 2603.6465$

2

Performing iteration ...

Estimated experimental-group mean for a two-sample means test

t test assuming $sd1 = sd2 = sd$

$H_0: m_2 = m_1$ versus $H_a: m_2 \neq m_1; m_2 > m_1$

Study parameters:

$\alpha = 0.0500$

power = 0.8000

$N = 22840$

$N_1 = 11420$

$N_2 = 11420$

$m_1 = 3101.9400$

$sd = 3290.1042$

Estimated effect size and experimental-group mean:

$\delta = 121.9869$

$m_2 = 3223.9269$

3

Performing iteration ...

Estimated experimental-group mean for a two-sample means test

t test assuming $sd1 = sd2 = sd$

$H_0: m2 = m1$ versus $H_a: m2 \neq m1; m2 > m1$

Study parameters:

$\alpha = 0.0500$

power = 0.8000

$N = 20034$

$N1 = 10017$

$N2 = 10017$

$m1 = 1879.6000$

$sd = 1993.6169$

Estimated effect size and experimental-group mean:

$\delta = 78.9245$

$m2 = 1958.5245$

4

Performing iteration ...

Estimated experimental-group mean for a two-sample means test

t test assuming $sd1 = sd2 = sd$

$H_0: m2 = m1$ versus $H_a: m2 \neq m1; m2 > m1$

Study parameters:

alpha = 0.0500

power = 0.8000

N = 4360

N1 = 2180

N2 = 2180

m1 = 1821.7900

sd = 1932.3001

Estimated effect size and experimental-group mean:

delta = 164.0062

m2 = 1985.7962

5

Performing iteration ...

Estimated experimental-group mean for a two-sample means test

t test assuming $sd1 = sd2 = sd$

Ho: $m2 = m1$ versus Ha: $m2 \neq m1$; $m2 > m1$

Study parameters:

alpha = 0.0500

power = 0.8000

N = 26250

N1 = 13125

N2 = 13125

m1 = 2749.9300

sd = 2916.7412

Estimated effect size and experimental-group mean:

delta = 100.8747

m2 = 2850.8047

6

Performing iteration ...

Estimated experimental-group mean for a two-sample means test

t test assuming $sd1 = sd2 = sd$

Ho: $m2 = m1$ versus Ha: $m2 \neq m1$; $m2 > m1$

Study parameters:

alpha = 0.0500

power = 0.8000

N = 8606

N1 = 4303

N2 = 4303

m1 = 1235.1700

sd = 1310.0956

Estimated effect size and experimental-group mean:

$$\text{delta} = 79.1378$$

$$m2 = 1314.3078$$

7

Performing iteration ...

Estimated experimental-group mean for a two-sample means test

t test assuming $sd1 = sd2 = sd$

$H_0: m2 = m1$ versus $H_a: m2 \neq m1; m2 > m1$

Study parameters:

$$\alpha = 0.0500$$

$$\text{power} = 0.8000$$

$$N = 4360$$

$$N1 = 623$$

$$N2 = 3737$$

$$N2/N1 = 5.9984$$

$$m1 = 1821.7900$$

$$sd = 1932.3001$$

Estimated effect size and experimental-group mean:

delta = 234.3210

m2 = 2056.1110

8

Performing iteration ...

Estimated experimental-group mean for a two-sample means test

t test assuming $sd1 = sd2 = sd$

$H_0: m2 = m1$ versus $H_a: m2 \neq m1; m2 > m1$

Study parameters:

alpha = 0.0500

power = 0.8000

N = 4360

N1 = 934

N2 = 3426

$N2/N1 = 3.6681$

m1 = 1821.7900

sd = 1932.3001

Estimated effect size and experimental-group mean:

delta = 199.8710

m2 = 2021.6610

9

Performing iteration ...

Estimated experimental-group mean for a two-sample means test

t test assuming $sd1 = sd2 = sd$

$H_0: m_2 = m_1$ versus $H_a: m_2 \neq m_1; m_2 > m_1$

Study parameters:

$\alpha = 0.0500$

power = 0.8000

$N = 4360$

$N_1 = 218$

$N_2 = 4142$

$N_2/N_1 = 19.0000$

$m_1 = 1821.7900$

$sd = 1932.3001$

Estimated effect size and experimental-group mean:

$\delta = 376.2561$

$m_2 = 2198.0461$

10

Performing iteration ...

Estimated experimental-group mean for a two-sample means test

t test assuming $sd1 = sd2 = sd$

$H_0: m2 = m1$ versus $H_a: m2 \neq m1; m2 > m1$

Study parameters:

$\alpha = 0.0500$

power = 0.8000

$N = 4360$

$N1 = 436$

$N2 = 3924$

$N2/N1 = 9.0000$

$m1 = 1821.7900$

$sd = 1932.3001$

Estimated effect size and experimental-group mean:

$\delta = 273.3437$

$m2 = 2095.1337$

11

Performing iteration ...

Estimated experimental-group mean for a two-sample means test

t test assuming $sd1 = sd2 = sd$

Ho: $m_2 = m_1$ versus Ha: $m_2 \neq m_1$; $m_2 > m_1$

Study parameters:

$\alpha = 0.0500$

power = 0.8000

N = 4360

N1 = 1090

N2 = 3270

$N_2/N_1 = 3.0000$

$m_1 = 1821.7900$

$sd = 1932.3001$

Estimated effect size and experimental-group mean:

$\delta = 189.3781$

$m_2 = 2011.1681$

12

Performing iteration ...

Estimated experimental-group mean for a two-sample means test

t test assuming $sd_1 = sd_2 = sd$

Ho: $m_2 = m_1$ versus Ha: $m_2 \neq m_1$; $m_2 > m_1$

Study parameters:

alpha = 0.0500

power = 0.8000

N = 4360

N1 = 1308

N2 = 3052

N2/N1 = 2.3333

m1 = 1821.7900

sd = 1932.3001

Estimated effect size and experimental-group mean:

delta = 178.9455

m2 = 2000.7355

.

end of do-file

. bro

. help power

. exit, clear



Australian Government

Australian Taxation Office

Real-time analytics in *myTax*

Data Science Team



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Introduction

- This presentation provides a brief description of the work in progress with respect to the impact of real time messaging in *myTax* 2016.
- These results are preliminary and may vary as we refine the methodology and analysis.

Overview of *myTax*

- The *myTax* service for individuals is the flagship product enabling clients to lodge their annual tax return digitally.
- As of 1 July 2016, *myTax* is the only digital channel for individuals to lodge their returns.
- *myTax* 2016 invokes a real time analytical risk assessment of the WRE labels.

Analytics in *myTax* 2016

- When the client validates a return by selecting the *myTax* calculate button, the client-entered data is passed to the Online Analytics System for assessment.
- The system returns a message tailored to the client based on the risk associated with their claimed deductions.
- Messages are generated either from the Nearest Neighbours (NN) model or specific business rules.
- For the NN model, clients whose deductions are significantly higher than clients with similar circumstances (their peers) get a warning message.

Online Analytics System (Model 1)

- For the NN model, there are actually two analytics models in the Online Analytics System.
- The first model generates a likelihood score for the client.
- The likelihood score measures how similar is the client's WRE claim compared to their peers.
- We use the likelihood score as a proxy for the risk of overstating a deduction.
- The larger the score, the greater the risk.
- The maximum possible likelihood score is 1.

Online Analytics System (Model 2)

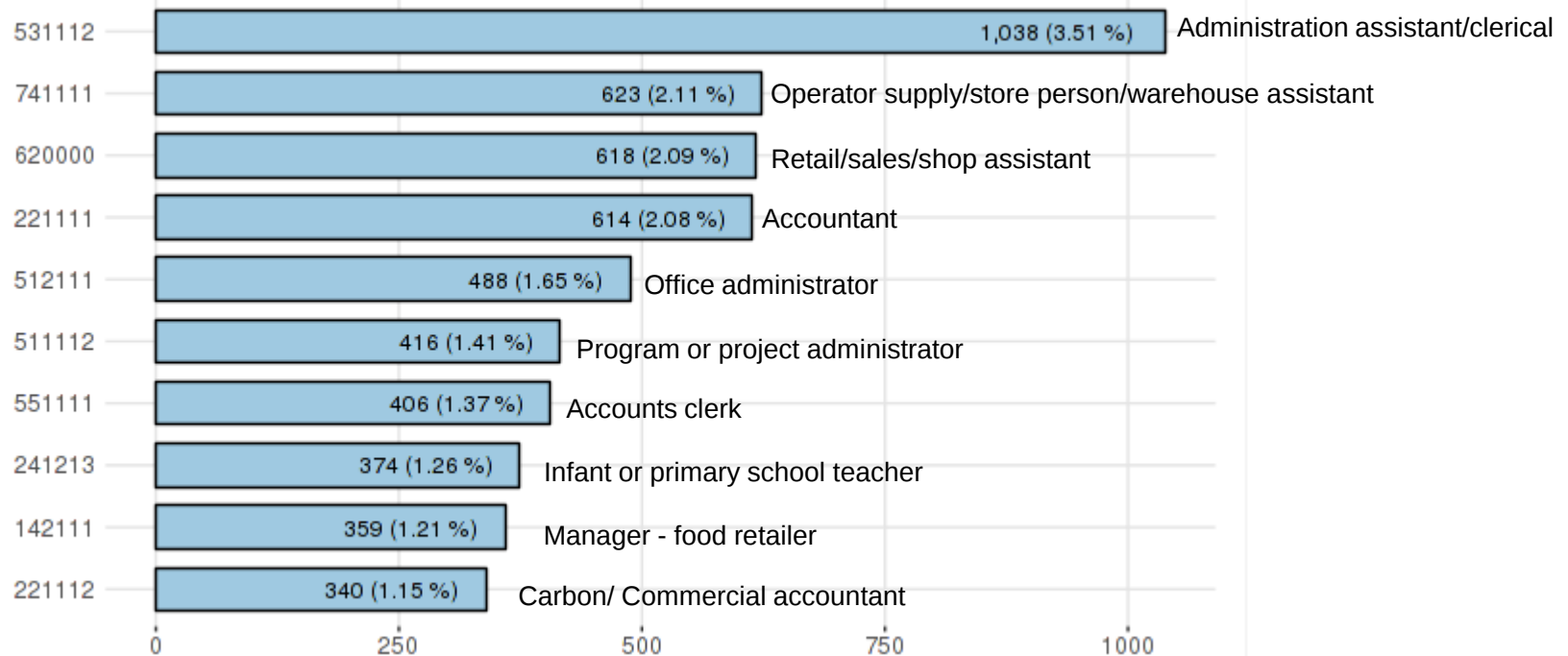
- Model 2 generates a consequence value.
- The consequence is the difference between the WRE deduction claimed and the usual amount claimed by their peers.
- A positive consequence value indicates the client is claiming a higher amount than their peers.
- The likelihood score and consequence value are used to determine who gets a warning message.

Data Challenges

- System failure resulting in 3 – 4 days loss of messaging statistics at the end of July.
- Approximately 30% of clients have multiple sessions in *myTax* which complicates the analysis.
- When an individual has multiple payment summaries, currently only one of the payment summary is being passed to the analytical model, resulting in some individuals incorrectly receiving the message.
- Approximately one third of individuals have multiple payment summaries but approximately 50% of message clients have multiple payment summaries.
- To address the multiple payment summary issue, the analysis at this stage will be restricted to individuals with a single payment summary which form a majority of the returns.

Top 10 Occupation Codes

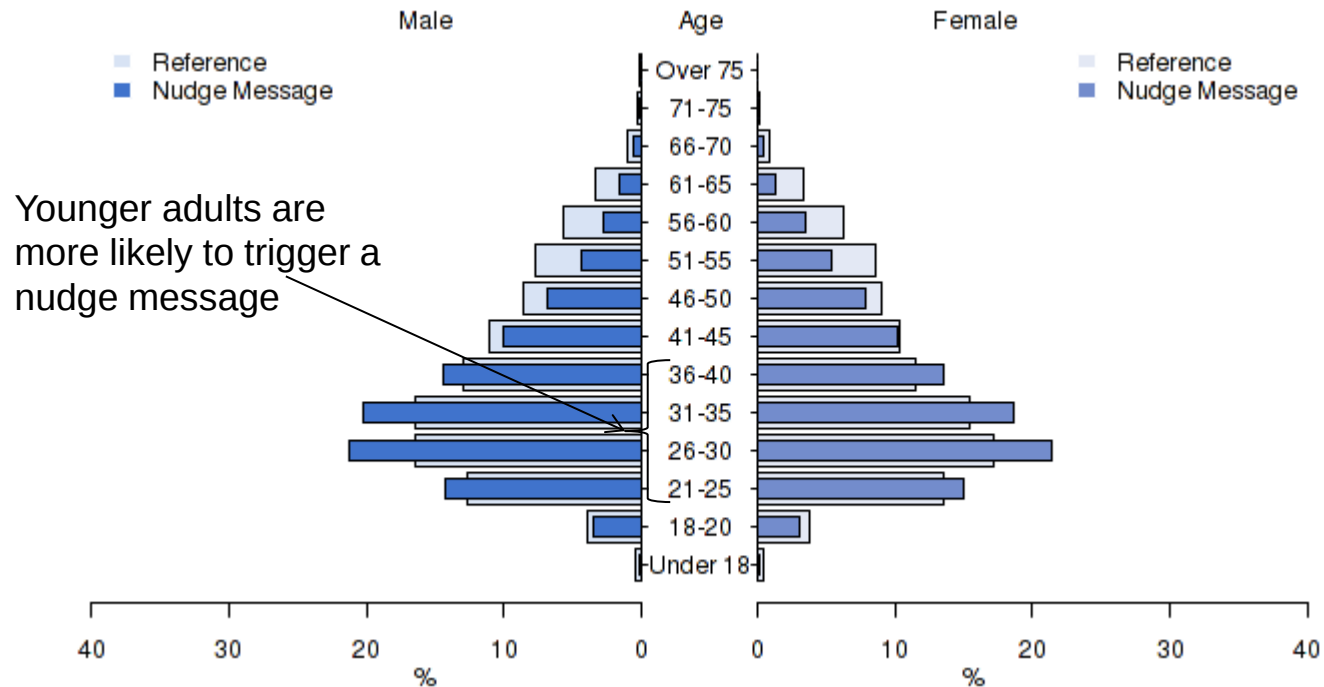
Number of taxpayers with a nudge message : 29,578



Number of taxpayers with a nudge message

Age/ Gender

Male: 16,000 Female: 13,578



Note: Percentages shown are % of Males & % of Females in each Age group by whether received a nudge message.

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Multiple Sessions

Three possible outcomes:

- Total WRE decreased.
- No change.
- Total WRE increased.

Clients can have one or more sessions



We capture total WRE at the first calculate of each session



We take maximum total WRE across sessions



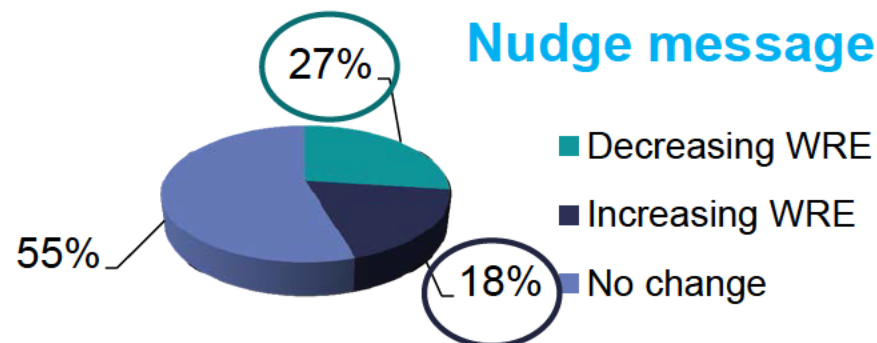
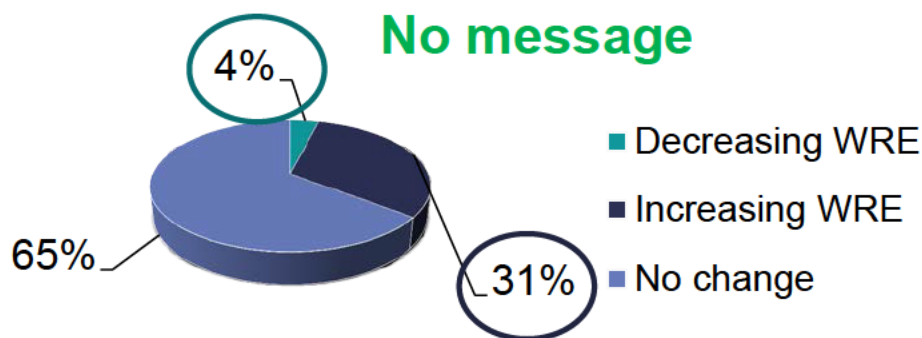
Calculate the difference between this maximum and total WRE deduction when return submitted

myTax Statistics

Percentage	Decrease WRE	Increase WRE	No Change	Total
No Message (Population)	30,209	237,358	488,726	756,293
No Message (%)	4%	31.4%	64.6%	100%
Received message	7,950	5,413	16,215	29,578
Received message (%)	26.9%	18.3%	54.8%	100%

Note: We excluded 573,741 taxpayers who have multiple payment summaries and an additional of 573,487 taxpayers who do not claim any WRE deductions.
(Data as of 13 September 2016)

Evidence of behaviour impacts?

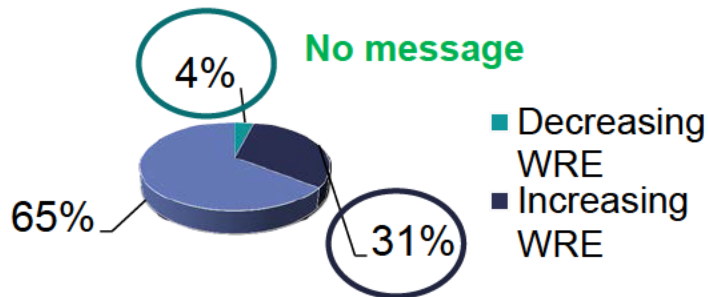


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myTax Statistics (Business rules and NN messaging)

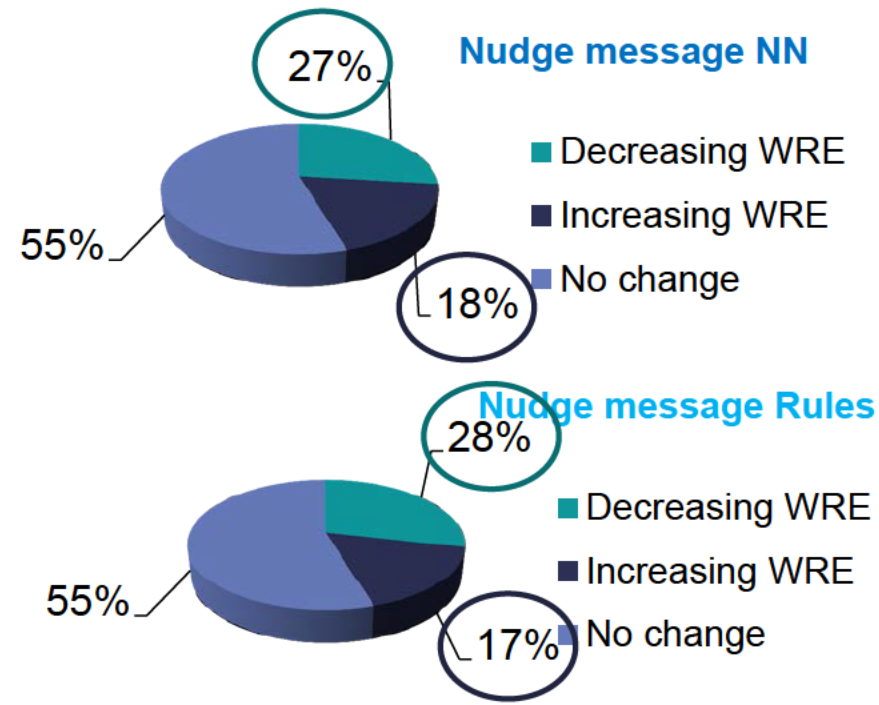
Percentage	Decrease WRE	Increase WRE	No Change	Total
No Message (Population)	30,209	237,358	488,726	756,293
No Message (%)	4%	31.4%	64.6%	100%
Nudge message NN	7,663	5,245	15,655	28,563
Nudge message NN (%)	26.8%	18.4%	54.8%	100%
Nudge message Rules & not NN	287	168	560	1,015
Nudge message Rules (%) & not NN	28.3%	16.6%	55.2%	100%

Evidence of behaviour impacts?



Business rules: Large WRE change from the prior year (majority) or high cost of managing tax affairs (very few)

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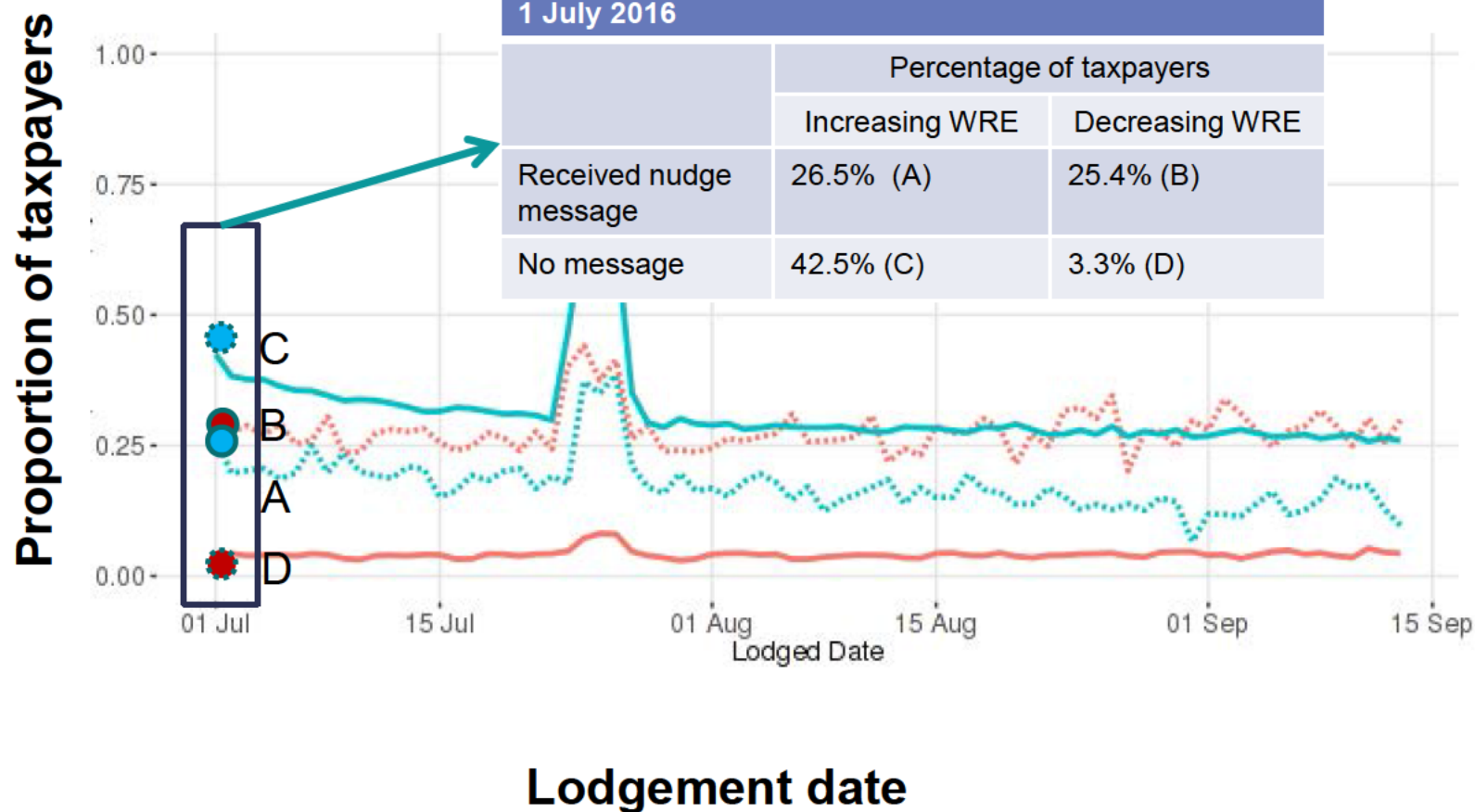
myTax Statistics (NN – Single vs Multiple sessions)

Percentage	Decrease WRE	Increase WRE	No Change	Total
No Message – Single session (Population)	5,418	179,958	273,675	459,051
No Message – Single session (%)	1.2%	39.2%	59.6%	100%
No Message – Multiple sessions (Population)	21,331	57,400	215,051	293,782
No Message – Multiple sessions (%)	7.3%	19.5%	73.2%	100%
Nudge message NN – Single session	2,258	2,729	7,818	12,805
Nudge message NN – Single session (%)	17.6%	21.3%	61.1%	100%
Nudge message NN – Multiple sessions	5,405	2,516	7,837	15,758
Nudge message NN – Multiple sessions (%)	34.3%	16%	49.7%	100%

Single sessions Nearest Neighbours WRE decrease is 17.6%.
Multiple sessions Nearest Neighbours WRE decrease is 34.3%

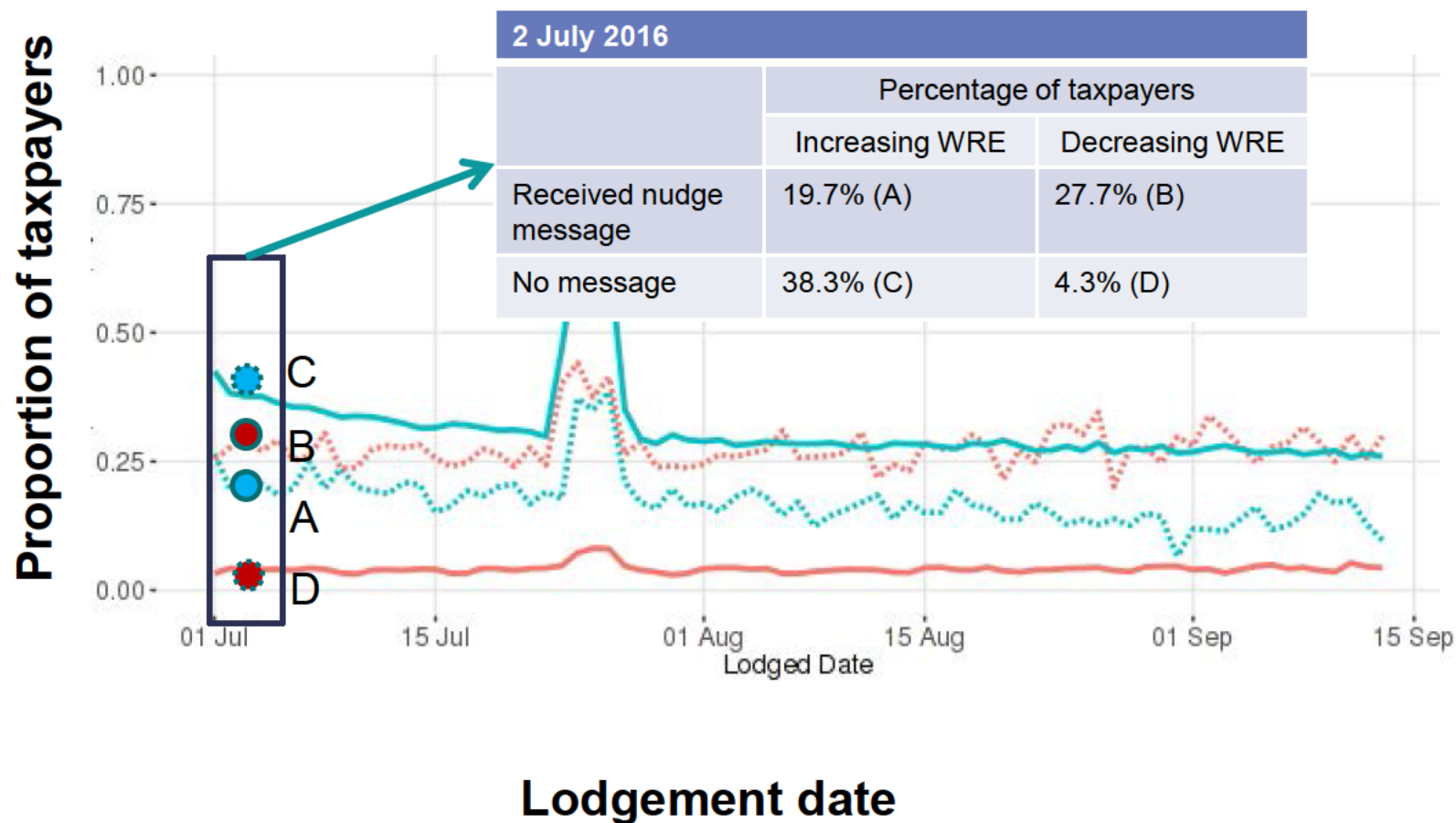
Single sessions Nearest Neighbours WRE increase is 21.3%.
Multiple sessions Nearest Neighbours WRE increase is 16%

Behaviour impact (1 July 2016)



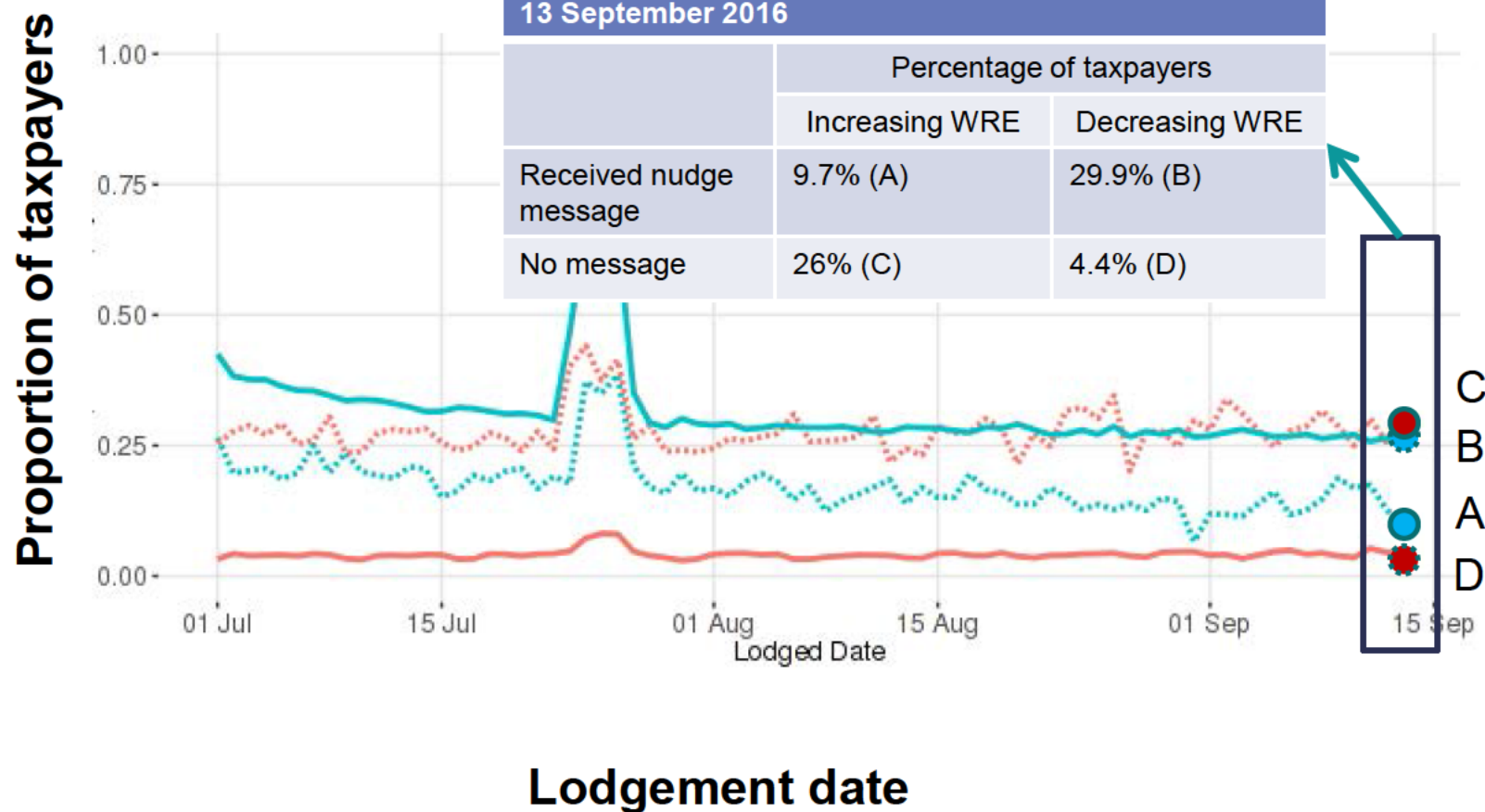
[FOR OFFICIAL USE ONLY]

Behaviour impact (2 July 2016)



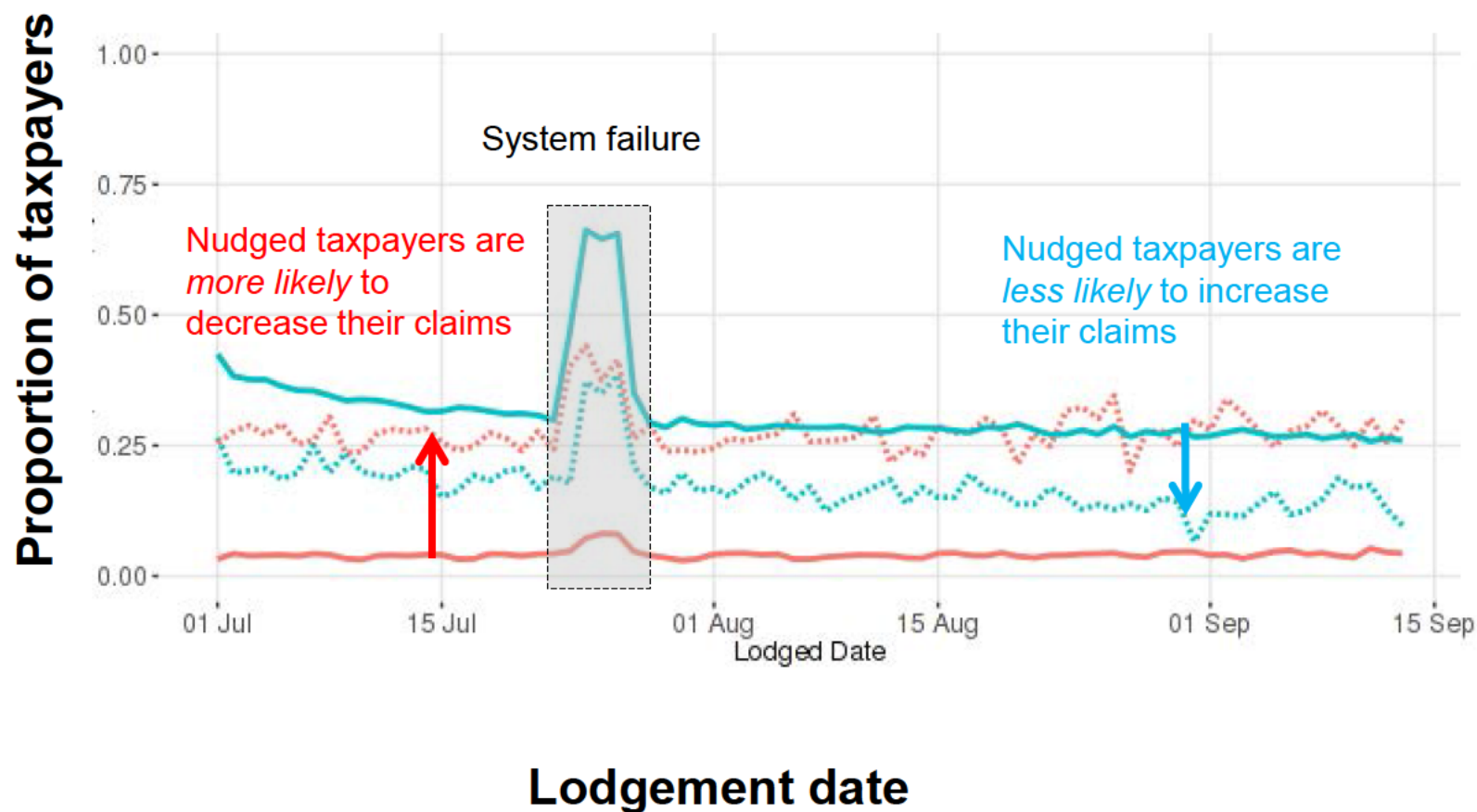
[FOR OFFICIAL USE ONLY]

Behaviour impact (13 September 2016)



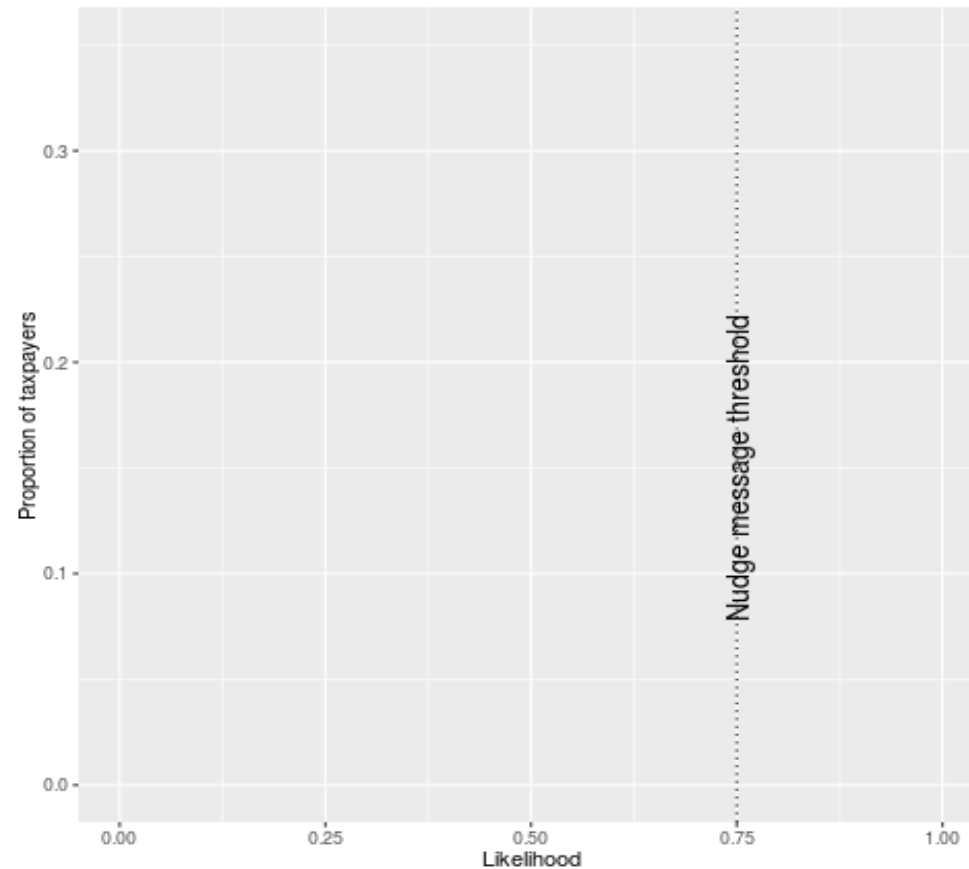
[FOR OFFICIAL USE ONLY]

Behaviour impact (1 July – 13 September 2016)

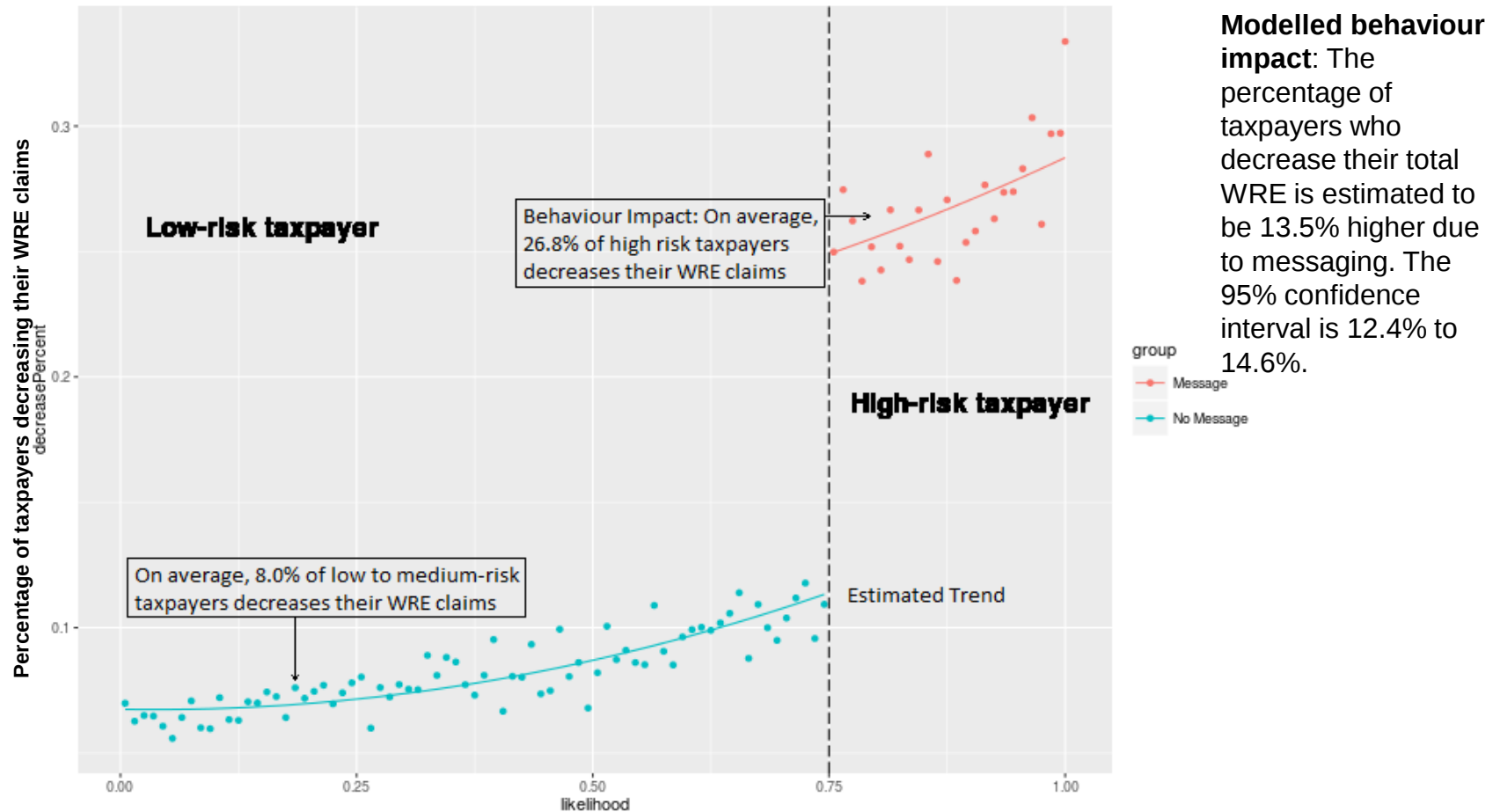


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Behaviour impact (by likelihood): Decreasing WRE claims (13 September 2016)



Behaviour impact (by likelihood): Decreasing WRE claims (13 September 2016) cont.

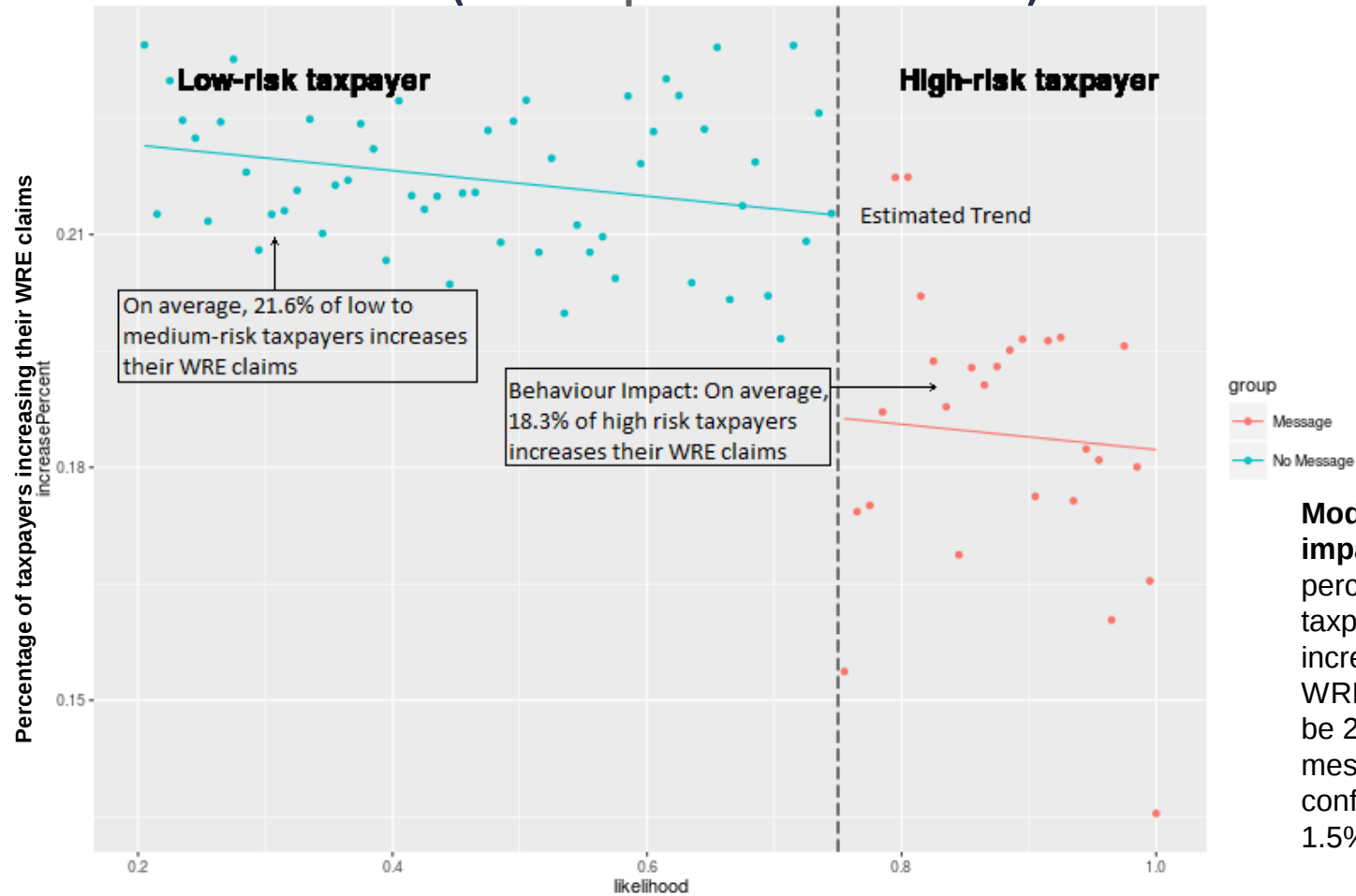


Modelled behaviour impact: The percentage of taxpayers who decrease their total WRE is estimated to be 13.5% higher due to messaging. The 95% confidence interval is 12.4% to 14.6%.

Note: Graph corresponds to clients that exceed the consequence threshold.

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Behaviour impact (by likelihood): Increasing WRE claims (13 September 2016) cont.



The message impact for this group is not as dramatic as that seen for decreasing of WRE claims.

However messaging still has a clear effect with this group.

Modelled behaviour impact: The percentage of taxpayers who increase their total WRE is estimated to be 2.6% lower due to messaging. The 95% confidence interval is 1.5% to 3.6%.

Note: Graph corresponds to clients that exceed the consequence threshold.

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Some Preliminary Findings (as at 13 Sep 2016)

- All inferences from this analysis are restricted to single payment summary clients.
- There are significant differences between single & multi session clients.
- Younger adults are more likely to trigger a warning message.
- Compared to our **broad reference population**, the **apparent difference** in the percentage who **decreased** their total WRE due to NN messaging is $(26.9 - 4)\% = \mathbf{22.9\%}$.
- *However when comparing to more **similar clients**, modelling suggests the **true effect** due to NN messaging is a lower but statistically significant **13.5%**.*
- Compared to our **broad reference population**, the **apparent difference** in the percentage who **increased** their total WRE due to NN messaging is $(31.4 - 18.3)\% = \mathbf{13.1\%}$.
- *However when comparing to more **similar clients**, modelling suggests the **true effect** due to NN messaging is a much lower but statistically significant **2.6%**.*

Future Analyses and Work

- With the Revenue Analysis Branch (RAB), develop methodology to produce **preliminary estimates of revenue impacts** due to the *messaging from the Nearest Neighbours model*.
- Undertake analysis of the impact response due to the business rules.
- Consider the messaging impact on clients who have multiple payment summaries.
- With the Behavioural insight experts, undertake detailed **behavioural modelling** of the messaged population to better understand their **responses to the messaging** (e.g., differences between single and multiple sessions).

Briefing Note

Issue date:	16 December 2016		
To:	s 22	(Director, Behavioural Economics Team of the Australian Government - Department of the Prime Minister and Cabinet)	
	s 22	(Behavioural Insights Adviser Assistant Director - Behavioural Economics Team of the Australian Government - Department of the Prime Minister and Cabinet)	
Copies to:	s 22	(Assistant Commissioner Individuals)	
	s 22	(Assistant Commissioner Individuals)	
	s 22	(Assistant Commissioner Individuals)	
From:	s 22	(Director Digital Projects - Individuals Engagement and Support – Individuals)	
Business line:	IND	Section:	Digital Projects – Individual Engagement and Support
Contact officer:	s 22	Contact phone:	s 22
Subject:	Options for myTax17 RTA Nudge Message		

Purpose

To seek your involvement in the development of the myTax and tax agent real-time analytics nudge message program for 2017.

Background

1. As outlined at our meeting on Thursday 24th November the ATO implement a real-time compliance messaging solution as part of myTax16 underpinned by analytical risk models to encourage clients with possible at risk deduction claims to review these prior to lodgement. Early analysis indicates that there has been a clear impact on client behaviour in myTax16 lodgments where the nudge message was presented.
2. For myTax16 we implemented a range of messages :
 - I. For those who triggered the analytics (nearest neighbour) work related expense (WRE) model:

“Your work-related deductions are high compared to your taxable income, taxpayers in similar occupations and income ranges. Review your <up to 4 WRE label variables> and overall deductions.”

If all five (5) WRE labels were triggered:

“Your work-related deductions are high compared to your taxable income, taxpayers in similar occupations and income ranges. Review your car, travel, uniform, self-education and other expenses.”

- II. For those who do not trigger the analytics (nearest neighbour) models but did meet the requirements for the high risk WRE business rule model the message was:

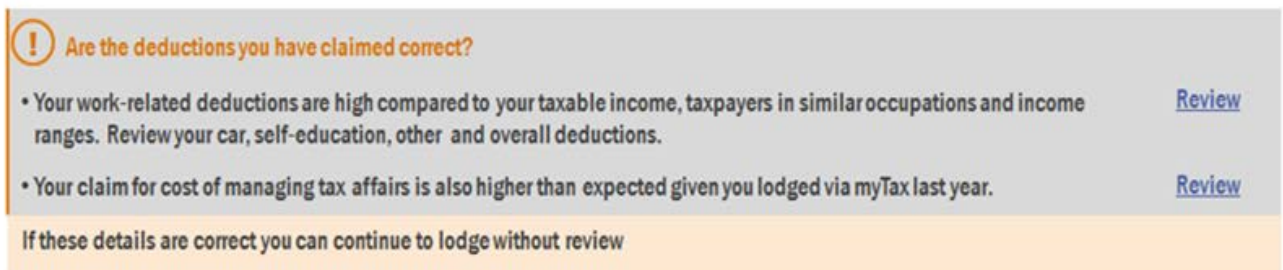
“Your work-related deductions are high compared to your taxable income. Review your overall deductions.”

- III. A third business rule model addressing risks associated with the cost of managing tax affairs label message was as follows:

“You claim for cost of managing tax affairs is <also> higher than expected given you lodged via myTax last year.”

The following is an example of how the message appeared to the client below the tax estimate in myTax.

Example of nudge message



The screenshot shows a nudge message box with a grey header and an orange footer. The header contains an exclamation mark icon and the text "Are the deductions you have claimed correct?". The main body has a light grey background and contains two bullet points, each with a "Review" link to its right. The footer has a light orange background and contains the text "If these details are correct you can continue to lodge without review".

Are the deductions you have claimed correct?

- Your work-related deductions are high compared to your taxable income, taxpayers in similar occupations and income ranges. Review your car, self-education, other and overall deductions. [Review](#)
- Your claim for cost of managing tax affairs is also higher than expected given you lodged via myTax last year. [Review](#)

If these details are correct you can continue to lodge without review

Proposed myTax17 message designs

3. Based on work undertaken by our business teams in collaboration with our behavioural insights specialists, the following message designs have been developed for your consideration and advice. These have been developed to facilitate the conversation and in no way are considered the final or only products.
4. The key changes to the myTax16 messages include the use of actual claimed deduction or prior year declared values, use of the actual occupation description provided by the taxpayer in myTax, and the simplification of the message text.

5. Proposed message designs:

- Work related expense message triggered by the analytics (R) models:
 - a) *Your total work-related expenses of \$25,325 are high compared to other Pharmacists with similar income. Please review these amounts, particularly your claim<s> for car, travel and other.*
- OR
- b) *Your total work-related expenses of \$25,325 are high compared to other Pharmacists with similar income. Please review these amounts.*
- Work related expense message triggered by the high risk business rule only:

Your total work-related deductions of \$25,325 are high compared to your taxable income. Please review these amounts.
- Cost of managing tax affairs business rule message:

Your claim of \$2,500 for cost of managing tax affairs is higher than expected given you lodged via myTax last year. Please review this claim.

For 2017 a new risk will be introduced to address the risk of clients not declaring any interest or dividends prior to the availability of the prefill information:

- Non-declaration of interest and / or dividend income business rule message:

You have not declared any interest or dividend income for this year. Your last return showed \$500 interest and \$600 in dividend income. Please check if you have included all your income for this year.

6. We are also seeking to introduce a level or personalisation into the display layout. The following are examples of possible layouts:

 **Hi John – PLEASE CHECK YOUR RETURN**

- You have not declared any interest and dividend income for this year. Your last return showed \$500 interest and \$600 in dividend income. Please check if you have included all your income for this year.
- Your total work-related expenses of \$25,325 are high compared to other Pharmacists with similar income. Please review these amounts, particularly your claims for car, travel and other.
- Your claim of \$2,500 for cost of managing tax affairs is higher than expected given you lodged via myTax last year. Please review this claim.

Click to action

[Review](#)

[Review](#)

[Review](#)

If you need to make changes, click the [review](#) button. If these details are correct , you can lodge your return.



PLEASE CHECK YOUR RETURN

[Click to action](#)

Hi John

- You have not declared any interest or dividend income for this year. Your last return showed \$500 interest and \$600 in dividend income. Please check if you have included all your income for this year. [Review](#)
- Your total work-related expenses of \$25,325 are high compared to other Pharmacists with similar income. Please review these amounts, particularly your claims for car, travel and other. [Review](#)
- Your claim of \$2,500 for cost of managing tax affairs is higher than expected given you lodged via myTax last year. Please review this claim. [Review](#)

If you need to make changes, click the [review](#) button. If these details are correct, you can lodge your return.

There have been a number of key layout changes including:

- the change in the header text (possibly integrating personalisation through the addition of the taxpayers first name)
- the inclusion of a personalised greeting if not reflected in the header and
- the call to action heading – Click to action and
- the change to the final message line.

Action

We would sincerely appreciate your team's involvement in the development of the myTax17 nudge message program including the development of content, display options, consideration of alternate message designs and an appropriate evaluation strategy.

I will be on annual leave from Monday 19th December but recommencing on the 3rd January 2017. If however you would like to discuss anything during this period please do not hesitate to phone my mobile. We are very keen to advance these discussions early in January 2017 to ensure the development teams have sufficient lead-time to incorporate any proposed changes.

Once again thanks for your teams interest in our program of work.

s 22

Director

Digital Projects - Individual Engagement and Support

Individual Taxpayers

Phone: s 22 | Mobile: s 22 /



Corporate Research and Intelligence Taxpayer Behaviour research

Summary report
December 2015



Context

The ATO needs to make careful and considered decisions regarding investment in managing taxpayer compliance behaviour and associated risks. In 2014, the Compliance Executive group developed a presentation outlining a range of factors which influence compliance. It was proposed that Taxpayer Behaviour was investigated further in the form of a dedicated research initiative to complement existing intelligence and ensure informed decisions on ATO's compliance investment strategies.

Additionally, the ATO will benefit from research tracking mechanisms that enable us to monitor the impact of significant media or social factors which impact on taxpayer sentiment or their intent to comply with their tax and superannuation obligations.

The Taxpayer Behaviour research program has been designed to offer regular tracking of community perceptions of several key themes in the broader system such as fairness of the tax system in Australia, perceptions of the current Federal Government and the effective use of tax revenue to run the country.

Purpose of the research

The aim of the Taxpayer Behaviour research is to develop a richer understanding for why people intend to comply with their tax obligations, or why they do not. For example, how much influence does perception of ATO performance have, compared to taxpayer perceptions of what other taxpayers are doing or thinking?

The research will improve our understanding of the factors which influence compliance intention, track shifts in attitudes over time, and help to evaluate the impact of compliance strategies. This places us in a better position to foster willing participation in our tax and superannuation systems.

The survey

Survey sample

The survey was completed online by 1,200 adults in the Australian community. The sample used strict age, gender and geographic quotas to ensure a broadly representative profile of the Australian population. When interpreting these results, some consideration must be given to the fact that all respondents were voluntary members of a research panel who have pre-agreed to complete surveys.

Survey design

In the survey we asked people about their **level of intention to comply**, and their views about a **range of others factors**, like:

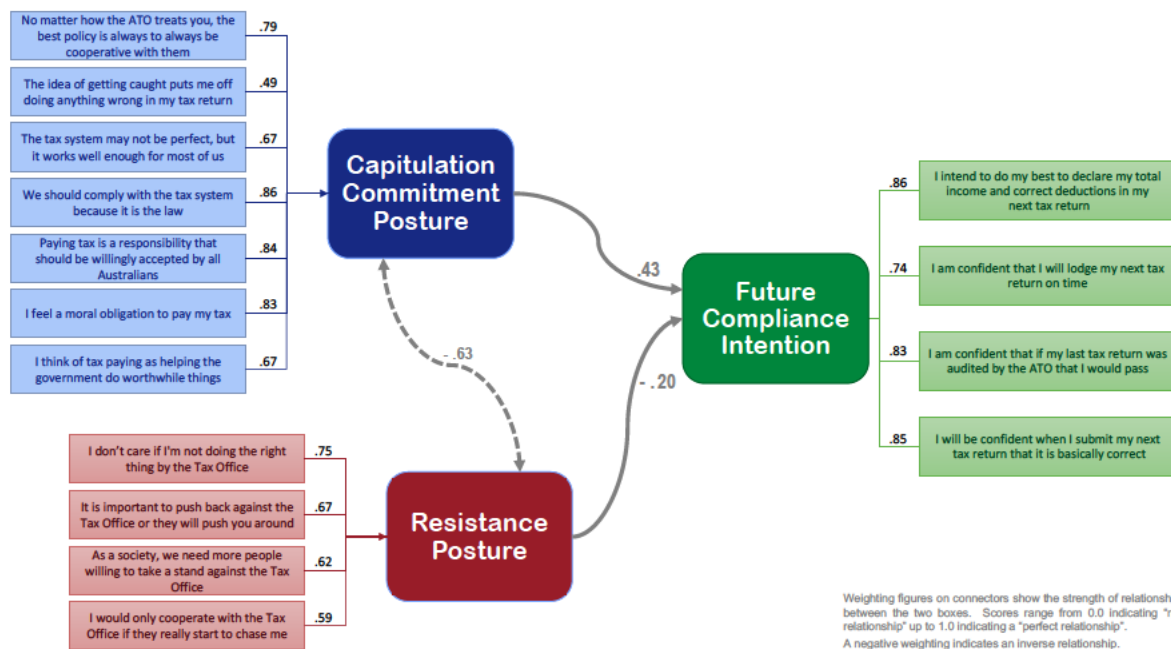
- Their views of the current government
- The fairness of taxes and views of the tax system
- Their views of the ATO, our service, fairness, severity of penalties, and how likely they think it is that they would get caught by the ATO if they did the wrong thing

- Social norms
- Cost of compliance
- Their appetite for risk taking

Results: A model of compliance intention

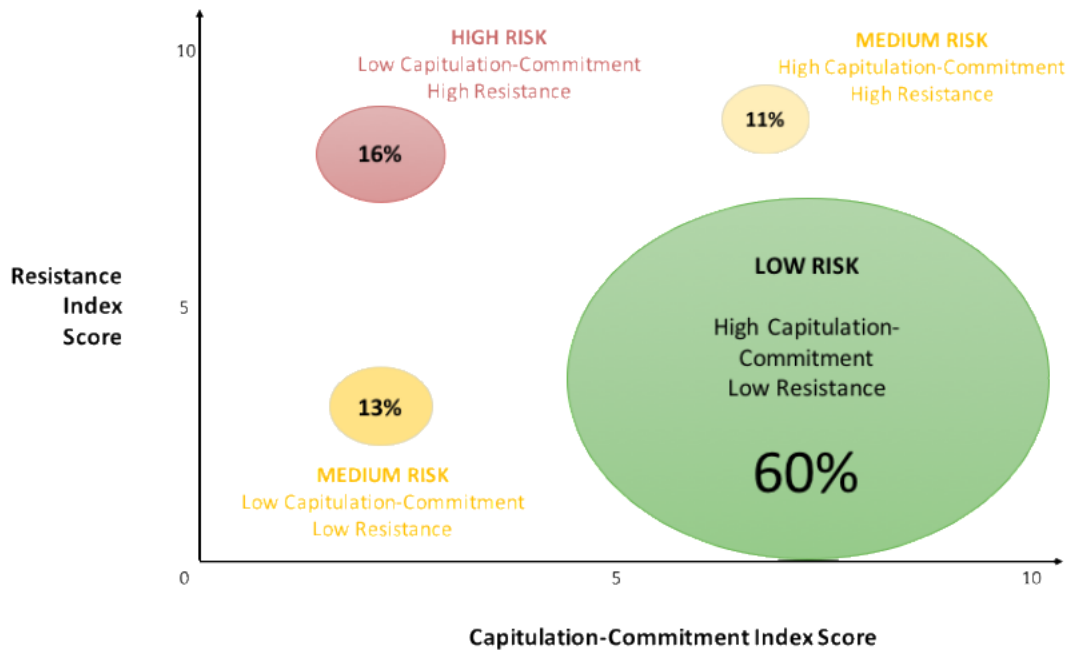
From the data, we were able to construct a model of 'compliance intention'. The model shows that two broad postures towards complying with tax can be seen in the community:

- One, where people either willingly commit towards paying tax or simply capitulate (not thrilled about tax, but have decided to comply anyway, e.g. because it's the law or because they don't want to get caught)
- The other posture is one of resistance.

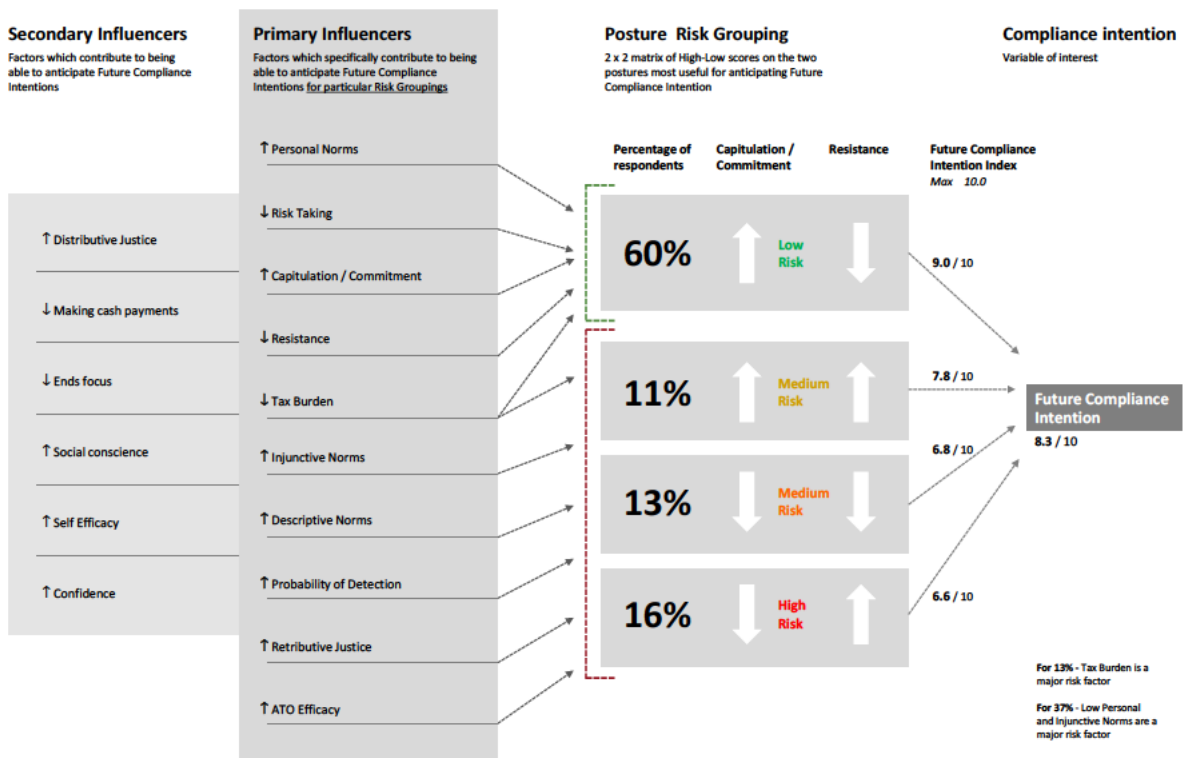


- The interesting thing about these two postures is that they are somewhat 'independent', that is, not just two ends of one spectrum. There are some people who are inclined to capitulate, while also feeling strongly resistant. Other people don't feel particularly inclined to capitulate and do the right thing, but they aren't particularly resistant either.

- So we end up with **four different risk groups** in the model. The largest proportion of respondents (60%) fell into the low risk group.



- We also found factors that predict belonging to each of these risk groups.



- Key factors which predict that people will be **more compliant** include:
 - Strong personal morals
 - Low appetite for taking risks
 - A tendency towards capitulation, rather than resistance
 - Seeing the cost and effort of complying as reasonable
- Key factors which predict that people will be **less likely to comply** include:
 - Seeing the cost and effort of complying as unreasonable
 - Unfavourable social norms (further explanation provided on following page)
 - Feeling that there's a low probability of getting caught, and that the ATO doesn't deal firmly with non-compliance
 - Having unfavourable perceptions of the ATO

Other findings:

- Perceptions of the ATO were found to be sufficiently distinct from those of the Australian Government more generally that the ATO does have the ability to influence its perceptions independently.
- While it is desirable to reduce Resistance, promoting higher associations to the Capitulation/Commitment posture is more important.

Demographics

Three demographic groups were found to have more 'challenging' profiles for the ATO, in terms of compliance intention. These are: males; people aged between 18-34, and people with household income over \$100,000.

Social norms – findings

We are learning more about how taxpaying behaviour is influenced by people's social context. Two kinds of social norms were found to be important to people's compliance intention.

Descriptive norms are perceptions of how *other people* behave and whether they pay the correct amount of tax.

Some of these perceptions have remained stable since 2013 (towards individuals 71%, towards small businesses 59%), but people on average believe that only 35% of big businesses pay their correct share (which is significantly lower than 51% in 2013).

Injunctive norms are perceptions of *what is approved of, or disapproved of, by others*.

These perceptions of whether 'others' would approve or disapprove of them failing to comply appears to be a significant predictor of willingness to comply. However, most people significantly underestimate the level of disapproval that exists in the community i.e. they don't think such

disapproval is as strong as it actually is. This represents an opportunity for the ATO to educate the community to 'correct' this misperception.

Applications of this research in the ATO

Compliance investment

Findings from this survey have been used to inform how we best invest in compliance activities.

Insights from this survey have been relevant in areas including:

- Ensuring the right level of severity of penalties and sanctions (Respondents were accepting of the use of penalties but saw them as too harsh on individuals and small business, yet too light on big businesses)
- The importance of sustaining the perceived 'probability of detection'
- Importance of perceived tax burden on future compliance intention
- Opportunities to leverage social norms
- The importance of being seen to effectively manage the compliance of large businesses

Further applications in the ATO

We will be conducting a monthly pulse survey of the community to track shifts in community sentiment towards paying tax (and the factors which influence that sentiment). We hope this will give us insights into:

1. How stable or volatile these sentiments are in the community over time
2. The effect of significant events, media stories, government announcements, etc.
3. Shifts which may be due to ATO interventions, communications and improvements to service.

From: s 22
To: s 22
Cc: s 22
Subject: RE: MyTax Ethical Risk Assessment [SEC=UNCLASSIFIED]
Date: Tuesday, 27 June 2017 2:43:31 PM
Attachments: [image003.png](#)
[image004.png](#)
[image005.png](#)

Hi s 22

You will get no more than a couple of hundred people based on a quick look at the likely candidates.

Regards

s 22

s 22
Statistician/Data Scientist
Data Science, Data Science and Special Purpose Acquisition
Smarter Data
Australian Taxation Office

P s 22



[Smarter Data on SharePoint](#)
[Reinventing the ATO](#)

ATO | Working for all Australians

From: s 22
Sent: Tuesday, 27 June 2017 2:09 PM
To: s 22
Cc: s 22
Subject: RE: MyTax Ethical Risk Assessment [SEC=UNCLASSIFIED]

UNCLASSIFIED

Great – thanks for looking into this.

Even a very crude estimate would be helpful. From the perspective of the ethical review, the less people below 18 the nudge message hits, the better.

Cheers,

s 22

s 22 | Advisor
BETA | Behavioural Economics Team of the Australian Government



s 22

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s 22

The Department acknowledges the traditional owners of country throughout Australia and their continuing connection to land, sea and community. We pay our respects to them and their cultures and to their elders both past and present.

From: s 22
Sent: Tuesday, 27 June 2017 2:33 PM
To: s 22
Cc: s 22
Subject: RE: MyTax Ethical Risk Assessment [SEC=UNCLASSIFIED]

Hi s 22

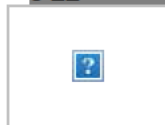
s 22 and s 22 are looking at providing you a very crude guess of the number of “under 18 year olds” that might get a message. The number will be tiny compared to the messaged population. Probably less than 0.5%. Jeremy thought that the total messaged population this year could be around 270K.

Regards

s 22

s 22
Statistician/Data Scientist
Data Science, Data Science and Special Purpose Acquisition
Smarter Data
Australian Taxation Office

P s 22



[Smarter Data on SharePoint](#)
[Reinventing the ATO](#)

ATO | Working for all Australians

From: s 22
Sent: Friday, 23 June 2017 11:04 AM
To: s 22
Cc: s 22
Subject: MyTax Ethical Risk Assessment [SEC=UNCLASSIFIED]

UNCLASSIFIED

Hi s 22,

I've attached a copy of BETA's Ethical Risk Assessment. As discussed, I don't think there any ethical issues with this project but we do need to complete this form to get the trial properly published.

I've filled the form out in its entirety, but thought someone in your team may want to look over it just in case. If you're able to confirm that you're happy with the content in the next couple of working days, I can get this cleared with our SES prior to the trial's launch.

Thanks,

s 22

s 22 | Advisor

BETA | Behavioural Economics Team of the Australian Government



s 22

|



s 22

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a) *Your total work-related expenses of \$25,325 are high compared to other Pharmacists with similar income. Please review these amounts, particularly your claim<s> for car, travel and other.*

- Concern that if people don't identify with their reference group they will dismiss the message. Can be true in the cases where appropriate job title is not found in ATO classifications.
- Is there any consideration to detailing consequences for higher WRE claims? E.g. higher risk of audit? That may show greater effects?
- Do you need to click on the message for it to disappear? Otherwise it might be easy to miss – black on grey / not very eye-catching.
- Could we split the messages so that they appear individually at the points they are declared? Otherwise may face cognitive load at the end of the process and skip through the message without adjusting claims.

From: s 22
To: s 22
Subject: FW: Nudge Ideas [SEC=UNCLASSIFIED]
Date: Wednesday, 11 January 2017 2:09:11 PM
Attachments: [image001.png](#)
[image002.png](#)

UNCLASSIFIED

s 22 | Advisor
 BETA | Behavioural Economics Team of the Australian Government



s 22

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s 22

The Department acknowledges the traditional owners of country throughout Australia and their continuing connection to land, sea and community. We pay our respects to them and their cultures and to their elders both past and present.

From: s 22
Sent: Wednesday, 11 January 2017 2:03 PM
To: s 22
Cc: s 22
Subject: RE: Nudge Ideas [SEC=UNCLASSIFIED]

UNCLASSIFIED

Hi s 22

Sorry for the long email, but I would be keen to find out if you have looked at the theory behind non-compliance and evasion that would come in handy when thinking about developing nudges; What is the standard economic model behind compliance/non-compliance and how compliance differs from the standard model in the real world?

In terms of some pointers (you may already know this), the standard economic model (the Yitzaki model) of compliance is based on an expected utility theory. Put simply, the compliance decision is a gamble (choice with risk) and is positively correlated to three key variables; increase in the probability of being caught, increase in income and an increase in penalties.

However, as us BE guys know, things don't usually follow the standard model in real life. Firstly, when confronted with values of the audit probability and the fine rate close to those observed in practice the model predicts that all taxpayers should engage in evasion. Secondly, the model predicts that the level of evasion will fall when the tax rate increases. These two problems are collectively referred to as the Yitzaki paradox as these outcomes are not realised in the real world. Experimental evidence has also cast doubt on tax evasion being a standard problem of choice with risk.

The **non-expected utility (NEU) theory** may be more appropriate in examining tax evasion decisions. Below, I identify some alternative models that fall under NEU theory and apply to real

life decision making around compliance. I have also described some possible nudges that you could design to run a trial to validate these models using slightly different variants if your sample size allows for that, which I assume won't be a problem.

- **Rank dependent expected utility model** – The model solves the Allais paradox which suggests that most people overweight low-probability events such as the chances of winning a lottery or in our case the risk of being caught or audited by the ATO. This model imposes a structure on the translation of probabilities; it is not just the probability itself, but how the outcome is structured and ranked relative to other outcomes. Hence, more people are compliant than the standard theory would predict. Those who are non-compliant could be doing it because (a) they correctly believe that the probability of being caught is low, and (b) the outcome (less tax paid) is better than the alternative. You could design a nudge message that amplifies the probability of being caught or audited, and the fact that they will stand out from the crowd if WRE are claimed. Something along the lines of:

o *“The ATO is targeting WRE claimed by taxpayers in this financial year. Please note that if you claim WRE, there is a ‘high/higher than normal’ likelihood of your tax return being audited by the ATO.”*

- **Cumulative prospect theory** - This captures the rank-dependent EU model as above and in addition also imposes a ‘reference point’ relative to which individuals evaluate gains and losses (the endowment effect). Losses loom large than gains (loss aversion) and we may have non-compliance because people are risk averse in times of gains, but risk-seeking when in loss. In designing a nudge, you could look at shifting the reference point. These placement of these nudges would be slightly different (when the return is being finalised)

o If the taxpayer gets a tax credit: and amplify probable losses:

- *“Your tax refund would be reduced by the amount of WR deductions and additional penalties if your claim is found to be inaccurate. Please assess that you have made an accurate WRE claim.”*

o If the taxpayer has incurred a tax debt – shift the reference point from pre v post-tax income to average returns by taxpayers at similar levels. The ATO's proposed message would work in this case.

- *“Your work-related deductions are high compared to your taxable income, taxpayers in similar occupations and income ranges. Review your <up to 4 WRE label variables> and overall deductions.”*

- **Ambiguity aversion** - Put simply, an increase in ambiguity, e.g. lack of certainty around probability of being audited, increases risk aversion (more correctly ambiguity aversion) and generally leads to better compliance. Non-compliant individuals may be different in so far as they could have a preference for a clear outcome (a lower tax burden from claiming WRE expense) against an unclear outcome (the chance of being audited). A nudge could perhaps distort this preference for a certain outcome by sending a message along the lines of:

-

- *"We note that you have claimed WRE. Please note that your tax return will not be settled until the ATO has assessed your lodgement and found your deductions to be genuine. You still have time to amend your return....."*

Hope this helps. Let me know if you have any questions.

Cheers

s 22

From: s 22

Sent: Wednesday, 11 January 2017 10:50 AM

To: s 22

Oliver, Tara; s 22

Cc: Hiscox, Michael; Lee, Rosa

Subject: Nudge Ideas [SEC=UNCLASSIFIED]

UNCLASSIFIED

Hi BETArinos,

Team IDEAS are looking for your assistance and ideas! We'll be meeting with ATO next week to suggest some changes to a nudge message individuals receive when they're claiming their work related expenses.

Last year individuals claimed \$1.9 billion in work related expenses through the MyTax portal, so a nudge message which reduces claims by 5% would represent a \$93 million saving for the Commonwealth. Given the large financial gains that are achievable, designing an effective nudge message would be a huge win for BETA and look great for our business case going forward.

I've attached a short brief from ATO with more details on the project. If you have any ideas, please send them through to myself and s 22 by the end of the week. We'll make sure to share the best ideas with the rest of the unit next week.

Cheers,

s 22

s 22 | Advisor

BETA | Behavioural Economics Team of the Australian Government



s 22

|



s 22

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From: S 22
To: S 22
Cc: S 22
Subject: RE: Nudge Ideas [SEC=UNCLASSIFIED]
Date: Thursday, 12 January 2017 8:35:18 AM
Attachments: [image001.png](#)
[image002.png](#)

UNCLASSIFIED

Hi S 22,

Thanks for sharing, this is very cool. I had an idea (not sure it's good one)—often taxpayers forget they are committing a crime when they declare false expenses or they may be unaware of the right way to claim work-related expenses (especially if they are inexperienced). Would including a link in the pop up to information on how to properly claim WRE and/or the consequences of claiming a false amount of WRE be potentially useful to trigger more honest declarations?

Regards,

S .

From: S 22
Sent: Wednesday, 11 January 2017 10:50 AM
To: S 22
Cc: S 22
Subject: Nudge Ideas [SEC=UNCLASSIFIED]

Oliver, Tara; S 22

UNCLASSIFIED

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Cheers,

S 22



s 22

|



s 22

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From: s 22
To: s 22
Subject: RE: Nudge Ideas [SEC=UNCLASSIFIED]
Date: Thursday, 12 January 2017 1:49:36 PM
Attachments: [image001.png](#)
[image002.png](#)

UNCLASSIFIED

Hi s 22 ,

Sounds like the project is progressing well.

Here are a couple of ideas:

- “Most people with similar occupations and income claimed an average of \$X in work-related deductions. Your claim of \$X is considerably higher than the average. Please review your overall deductions.”
- “Your work related deductions are XX% higher than people with a similar occupation and income to you. Please review your overall deductions.”
- “Your claim for the cost of managing tax affairs is higher than expected given you lodged via myTax last year. Most people in the same situation claimed an average of \$X.”

s 22

From: s 22
Sent: Wednesday, 11 January 2017 10:50 AM
To: s 22

Oliver, Tara <Tara.Oliver@pmc.gov.au>; s 22

Cc: s 22
Subject: Nudge Ideas [SEC=UNCLASSIFIED]

UNCLASSIFIED

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Cheers,

s 22

s 22

| Advisor

BETA | Behavioural Economics Team of the Australian Government



s 22

|



s 22

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From: S 22
To: S 22
Subject: RE: Nudge Ideas [SEC=UNCLASSIFIED]
Date: Wednesday, 11 January 2017 11:59:56 AM
Attachments: [image003.jpg](#)
[image004.png](#)
[image005.png](#)

UNCLASSIFIED

Hi S 22,

Looks like a really interesting project.

My only suggestion is to think about whether making it mandatory rather than optional for people to review parts of their claim (or asking them to actively tick a box saying the details are correct) makes a difference. The paper below, which relates to carbon offsetting, finds that when people aren't allowed to skip the carbon offset question (i.e. they have to say yes or no to it), they are more likely to offset their carbon emissions.

<http://ftp.zew.de/pub/zew-docs/dp/dp16091.pdf>

Hope you get some good ideas!

S 22

S 22 | Senior Behavioural Economics Advisor
BETA | Behavioural Economics Team of the Australian Government
Department of the Prime Minister and Cabinet

S 22

 @beta.gov.au | www.pmc.gov.au/beta

From: S 22

Sent: Wednesday, 11 January 2017 10:50 AM

To: S 22

[Redacted]

Oliver, Tara <Tara.Oliver@pmc.gov.au>; S 22

[Redacted]

Cc: S 22

Subject: Nudge Ideas [SEC=UNCLASSIFIED]

UNCLASSIFIED

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Cheers,

s 22

s 22 | Advisor

BETA | Behavioural Economics Team of the Australian Government



s 22

|



s 22

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From: s 22
To: s 22
Subject: RE: Nudge Ideas [SEC=UNCLASSIFIED]
Date: Wednesday, 11 January 2017 11:43:17 AM
Attachments: [image001.png](#)
[image002.png](#)

UNCLASSIFIED

Hi s 22 ,

Some quick ideas (others will be slow to come):

Might want to lead in with 'Hi John – Please check your return as we've identified some things that don't make sense:' to convey the point that a check has been performed.

Include an arrow pointing down from 'Click to action' towards the 'Review' 'tabs' (or alternatively reduce the amount of space)

Use sentence case (Please check your return rather than PLEASE CHECK YOUR RETURN) as it's easier to read. If you want to emphasise the point, then maybe use bold font instead?

Consider including another action column, next to 'Review' that enables people to confirm that the 'Confirm information is correct'. When one hovers over the button, there could even be a tailored pop-up box that states "By clicking this button, you are confirming that your expense claim is true and correct".

In the actual messages, is it possible to tell people precisely how much in \$ their expenses/claims are higher, so that people know exactly how bad the discrepancy is (or are you purposefully keeping it ambiguous?). If you do end up doing this, use a precise \$ amount rather than rounded figure as people view precise amounts as more accurate/real/meaningful. Also, I would try to use the words 'you' and 'your' as much as possible. Maybe even throw in some bolding so it's distinct from the other \$ figure?

For example:

"Your total work-related expenses of \$25,325 are **\$5,243 higher** than other Pharmacists with a similar level of income to you. Please review your expenses – particularly your claims for car, travel and 'other'."

That's all for now!

Cheers, s

From: s 22
Sent: Wednesday, 11 January 2017 10:50 AM
To: s 22
Cc: s 22
Subject: Nudge Ideas [SEC=UNCLASSIFIED]

Oliver, Tara; s 22

UNCLASSIFIED

Hi BETArinos,

Team IDEAS are looking for your assistance and ideas! We'll be meeting with ATO next week to suggest some changes to a nudge message individuals receive when they're claiming their work related expenses.

Last year individuals claimed \$1.9 billion in work related expenses through the MyTax portal, so a nudge message which reduces claims by 5% would represent a \$93 million saving for the Commonwealth. Given the large financial gains that are achievable, designing an effective nudge message would be a huge win for BETA and look great for our business case going forward.

I've attached a short brief from ATO with more details on the project. If you have any ideas, please send them through to myself and s 22 by the end of the week. We'll make sure to share the best ideas with the rest of the unit next week.

Cheers,

s 22

s 22 | Advisor

BETA | Behavioural Economics Team of the Australian Government



s 22



s 22

The Department acknowledges the traditional owners of country throughout Australia and their continuing connection to land, sea and community. We pay our respects to them and their cultures and to their elders both past and present.



Australian Government

Department of the Prime Minister and Cabinet

BEHAVIOURAL ECONOMICS TEAM OF THE AUSTRALIAN GOVERNMENT

Work Related Expenses – myTax17 Nudge Behavioural interventions design workshop

Date: Thursday 19 January

Time: 12.30pm – 1.30pm

Location: ATO Amungula Building – Room 6.09

Contact: s 22, BETA
s 22

Attendees:

- s 22
- s 22
- s 22
- s 22
- s 22
- s 22
- s 22
- s 22

BETA

- s 22
- s 22
- s 22

By phone s 22

- s 22
- s 22

Apologies:

- s 22
- s 22

	Time	Agenda item	Decisions	Led by
1	12.30pm – 1:00pm (30 mins)	Nudge message ideas		BETA
2	1:00 – 1:20pm (20 mins)	Evaluation strategy		BETA
		Meeting close		



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BEHAVIOURAL ECONOMICS TEAM OF THE AUSTRALIAN GOVERNMENT

BETA

MyTax17: WRE Nudge Message

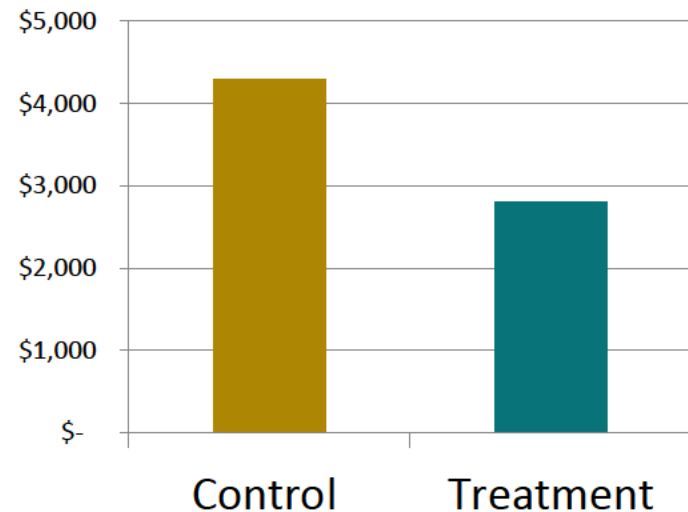
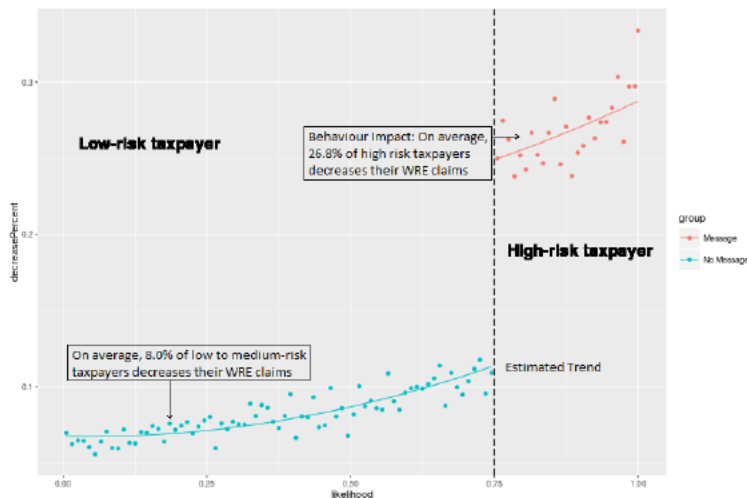
Evaluation Strategy

Unbiased methods for evaluating myTax17

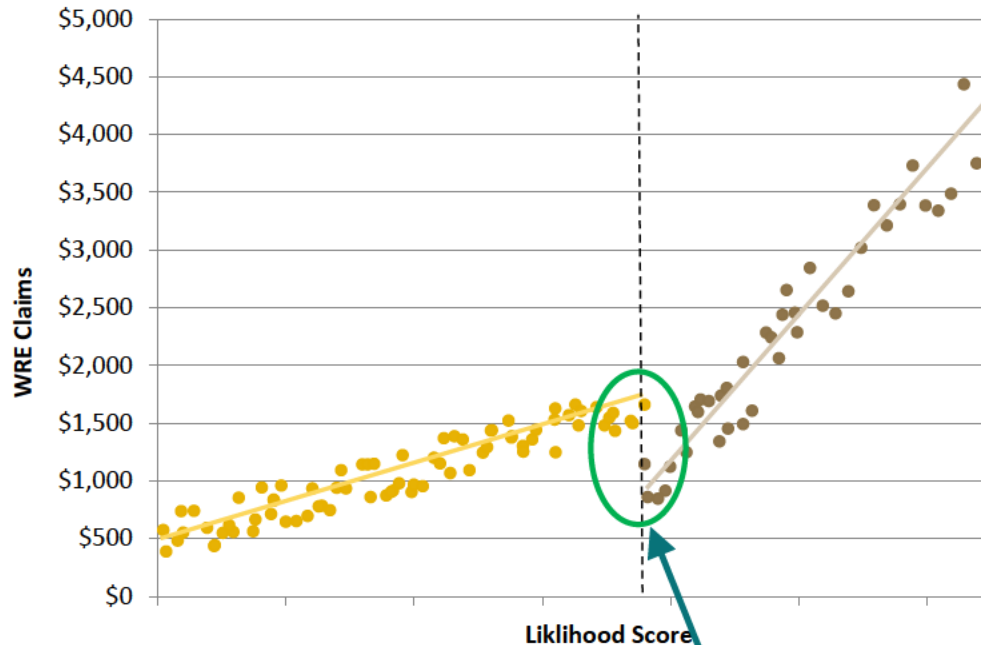
Regression Discontinuity Design (RDD)

OR

Randomised Controlled Trial (RCT)



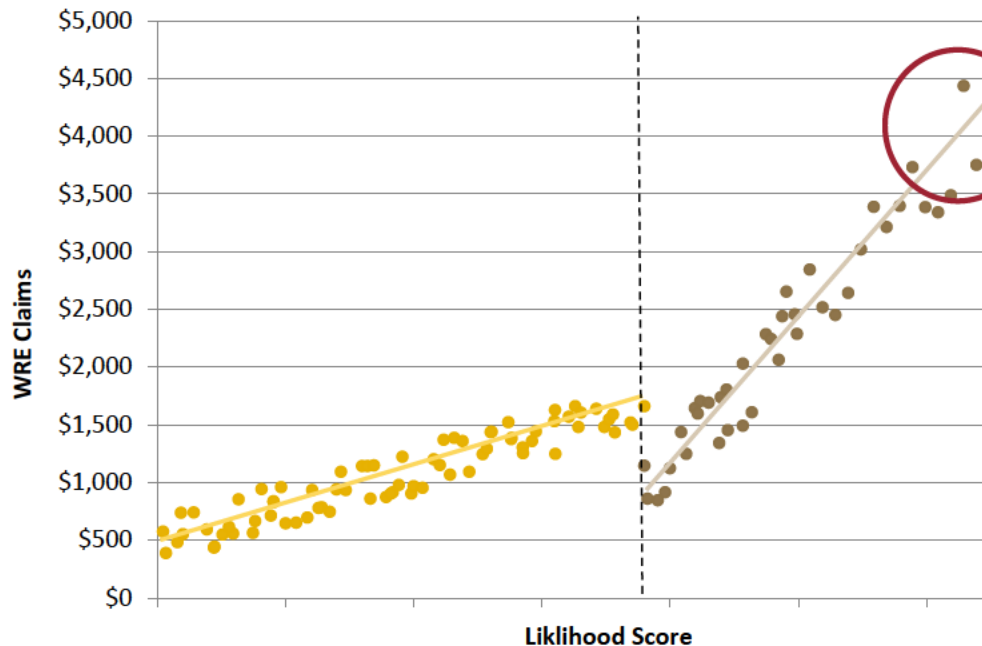
Value of an RDD analysis...



- Clear indication of the nudge message's effectiveness at the likelihood cut-off
- Far more accurate than before-after comparisons or simple regressions

From the 2015 data we know the nudge is effective on these people...

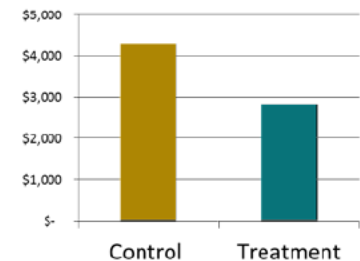
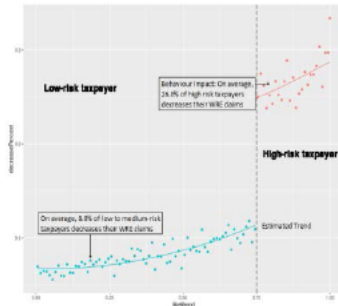
Drawbacks of an RDD...



- No indication of effectiveness for highest risk individuals – perhaps the most important
- Impossible to quantify total savings produced by the nudge
- Difficult to test multiple messages and effectiveness on sub-groups of the population

RCTs offer several key advantages

RDD	RCT
Can only measure effects on individuals at the threshold	Simple to measure effects on highest claiming individuals
Can't quantify total savings	Easy to quantify savings . Possibly in the tens of millions of dollars.
Limited statistical power	Possible to test multiple messages
Limited statistical power	Able to measure effects across different sub-groups of the population



Statistical power of an RCT – 1 treatment arm

Group	Average Claim	Minimum Detectable Effect (\$)	Minimum Detectable Effect (%)
All	\$2,531	\$73	2.9%
Male	\$3,102	\$122	3.9%
Female	\$1,880	\$79	4.2%
19-24 years old	\$1,822	\$164	9.0%
Major Urban	\$2,750	\$101	3.7%
Income: \$37-80k	\$1,235	\$79	6.4%

*Assumptions: $R^2 = 0.5$, 4% of clients receive nudge, myTax client population = 1.07 million, average claims are taken from entire population distribution,

Statistical power of an RCT – 4 treatment arms

Group	Average Claim	Minimum Detectable Effect (\$)	Minimum Detectable Effect (%)
All	\$2,531	\$115	4.5%
Male	\$3,102	\$193	6.2%
Female	\$1,880	\$125	6.6%
19-24 years old	\$1,822	\$259	14.2%
Major Urban	\$2,750	\$159	5.8%
Income: \$37-80k	\$1,235	\$125	10.1%

*Assumptions: $R^2 = 0.5$, 4% of clients receive nudge, myTax client population = 1.07 million, average claims are taken from entire population distribution,

Benefits for myTax in 2018...

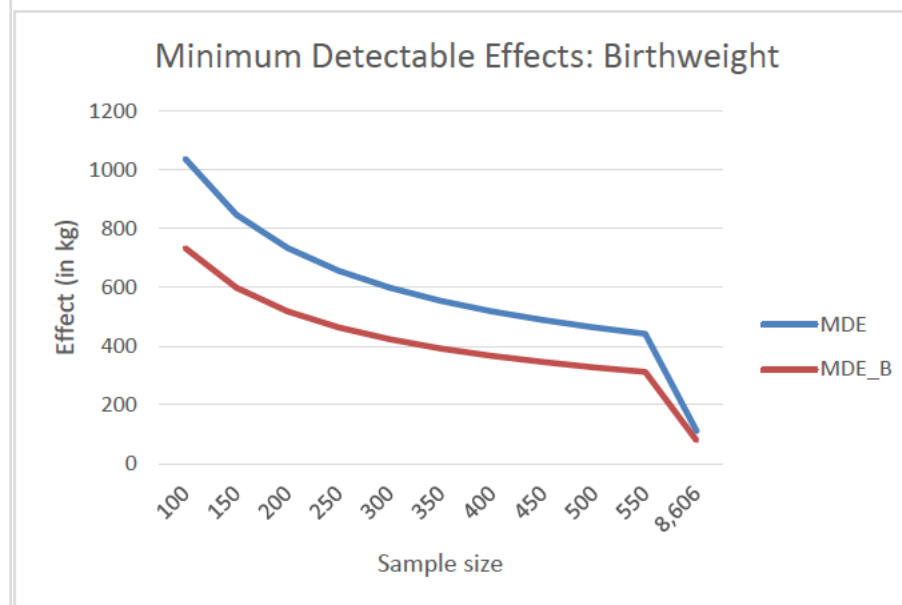
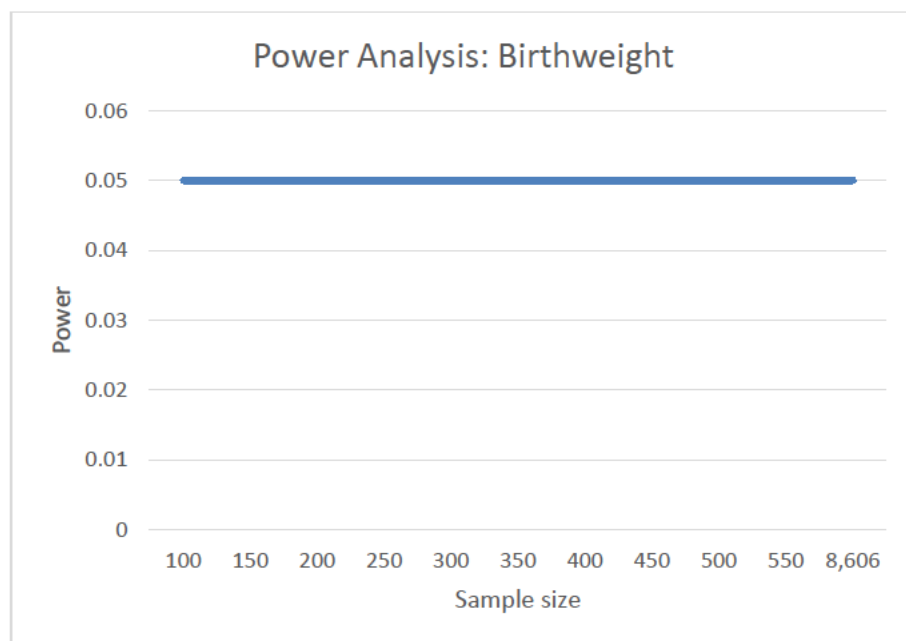
An RCT evaluation in 2017 would allow the ATO to:

- i. Use the most effective messages from 2017 as the basis for 2018 nudge messages
- ii. Use tailored messaging in 2018, whereby messages could be designed to target specific sub-groups in the populations

These improvements in messaging would :

- Increase revenue collection for the ATO
- Result in a better user-experience for clients
- Showcase the ATO as a model APS agency for using behavioural insights
- Make the ATO world leaders using real time tax nudges

BETA power calculator												





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BEHAVIOURAL ECONOMICS TEAM OF THE AUSTRALIAN GOVERNMENT

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MyTax17: WRE Nudge Message

Nudge Message Ideas

Personalisation

- Existing messages makes good use of personalised information such as the individual's:
 - Name
 - Profession
 - Specific WRE claim



Hi John – PLEASE CHECK YOUR RETURN

[Click to action](#)

- You have not declared any interest and dividend income for this year. Your last return showed \$500 interest and \$600 in dividend income. Please check if you have included all your income for this year.
- Your total work-related expenses of \$25,325 are high compared to other Pharmacists with similar income. Please review these amounts, particularly your claims for car, travel and other.
- Your claim of \$2,500 for cost of managing tax affairs is higher than expected given you lodged via myTax last year. Please review this claim.

[Review](#)

[Review](#)

[Review](#)

If you need to make changes, click the [review](#) button. If these details are correct, you can lodge your return.

Social Norms

- Good use of descriptive social norms
- Could be strengthened by explicitly stating how much higher the individual's claims are relative to the norm¹

*“Your total work-related expenses of \$23,325 are **\$18,421 higher** than other Pharmacists with similar income”*

 **Hi John – PLEASE CHECK YOUR RETURN**

[Click to action](#)

- You have not declared any interest and dividend income for this year. Your last return showed \$500 interest and \$600 in dividend income. Please check if you have included all your income for this year. [Review](#)
- Your total work-related expenses of \$25,325 are high compared to other Pharmacists with similar income. Please review these amounts, particularly your claims for car, travel and other. [Review](#)
- Your claim of \$2,500 for cost of managing tax affairs is higher than expected given you lodged via myTax last year. Please review this claim. [Review](#)

If you need to make changes, click the [review](#) button. If these details are correct, you can lodge your return.

¹ BIT 2012. Applying Behavioral Insights to reduce Fraud, Error and Debt. 38.

Prime people for honesty

- Strategically placed honesty declarations have been shown to improve compliance¹
- Include checkboxes asking people to declare that the information they have provided is correct



! Hi John – PLEASE CHECK YOUR RETURN	Click to action	Confirm information is correct
You have not declared any interest and dividend income for this year. Your last return showed \$500 interest and \$600 in dividend income. Please check if you have included all your income for this year.	Review	☒
Your total work-related expenses of \$25,325 are high compared to other Pharmacists with similar income. Please review these amounts, particularly your claims for car, travel and other.	Review	☐
Your claim of \$2,500 for cost of managing tax affairs is higher than expected given you lodged via myTax last year. Please review this claim.	Review	☐

If you need to make changes, click the [review](#) button. If these details are correct, you can lodge your return.

¹ ARIEL, B. 2012. Deterrence and moral persuasion effects on corporate tax compliance: Findings from a randomized controlled trial. *Criminology*, 50, 27-69.

Make salient the risk of audit

- Many studies show that reminding people of audit risks prior to tax lodgement can significantly increase tax compliance^{1,2,3}
- “We’ve noticed some irregularities in your tax return. Last year, the ATO audited 34,000 individuals with questionable claims. PLEASE CHECK YOUR RETURN.”

 **Hi John** – PLEASE CHECK YOUR RETURN

[Click to action](#)

- You have not declared any interest and dividend income for this year. Your last return showed \$500 interest and \$600 in dividend income. Please check if you have included all your income for this year. [Review](#)
- Your total work-related expenses of \$25,325 are high compared to other Pharmacists with similar income. Please review these amounts, particularly your claims for car, travel and other. [Review](#)
- Your claim of \$2,500 for cost of managing tax affairs is higher than expected given you lodged via myTax last year. Please review this claim. [Review](#)

If you need to make changes, click the [review](#) button. If these details are correct, you can lodge your return.

¹ SLEMROD, J., BLUMENTHAL, M. & CHRISTIAN, C. 2001. Taxpayer response to an increased probability of audit: Evidence from a controlled experiment in Minnesota. *Journal of Public Economics*, 79, 455-483.

² APPELGREN, L. 2008. The Effect of Audit Strategy Information on Tax Compliance - an Empirical Study. *eJournal of Tax Research*, 6, 67-81.

³ WENZEL, M. & TAYLOR, N. 2004. An experimental evaluation of tax-reporting schedules: A case of evidence-based tax administration. *Journal of Public Economics*, 88, 2785-2799

Make salient the sophistication of monitoring

- Evidence suggests that notifying individuals that monitoring is being targeted at high claiming individuals (rather than through a random process) can yield higher levels of compliance^{1,2}
- “The ATO are now using advanced data analytics to identify and monitor individuals making questionable claims. PLEASE CHECK YOUR RETURN.”

 **Hi John** – PLEASE CHECK YOUR RETURN

[Click to action](#)

- You have not declared any interest and dividend income for this year. Your last return showed \$500 interest and \$600 in dividend income. Please check if you have included all your income for this year. [Review](#)
- Your total work-related expenses of \$25,325 are high compared to other Pharmacists with similar income. Please review these amounts, particularly your claims for car, travel and other. [Review](#)
- Your claim of \$2,500 for cost of managing tax affairs is higher than expected given you lodged via myTax last year. Please review this claim. [Review](#)

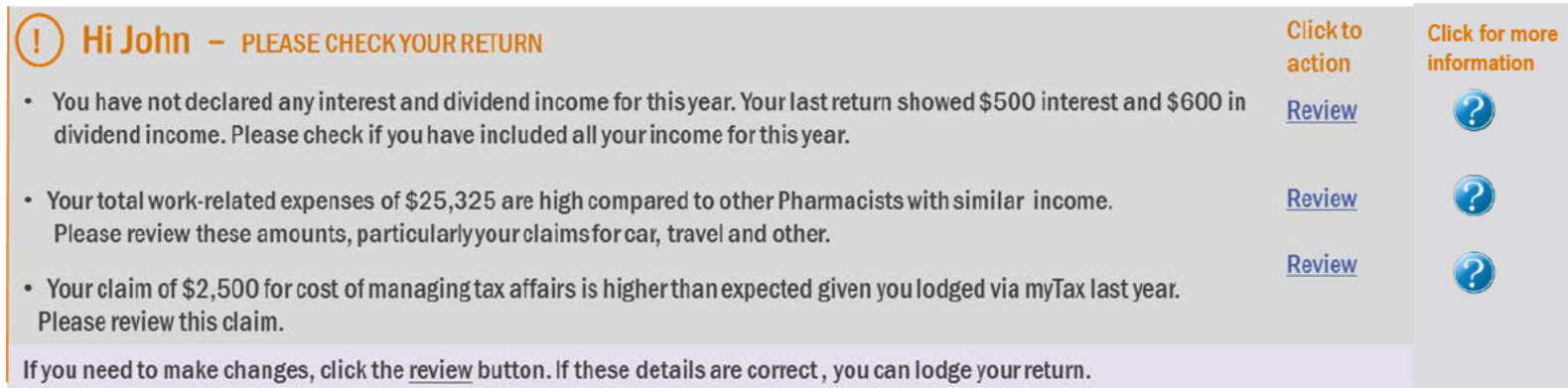
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¹ APPELGREN, L. 2008. The Effect of Audit Strategy Information on Tax Compliance - an Empirical Study. *eJournal of Tax Research*, 6, 67-81

² TAN, F. & YIM, A. 2014. Can strategic uncertainty help deter tax evasion? An experiment on auditing rules. *Journal of Economic Psychology*, 40, 161-174.

Provide timely information

- Providing people with relevant information at the right time can significantly improve client behaviour^{1,2}
- The nudge message could provide the ideal time to direct individuals towards ATOs work-related expenses rules



	Click to action	Click for more information
• You have not declared any interest and dividend income for this year. Your last return showed \$500 interest and \$600 in dividend income. Please check if you have included all your income for this year.	Review	?
• Your total work-related expenses of \$25,325 are high compared to other Pharmacists with similar income. Please review these amounts, particularly your claims for car, travel and other.	Review	?
• Your claim of \$2,500 for cost of managing tax affairs is higher than expected given you lodged via myTax last year. Please review this claim.	Review	?

If you need to make changes, click the [review](#) button. If these details are correct, you can lodge your return.

¹ Todd Rogers and Avi Feller, *Reducing Student Absences at Scale*, Working Paper Draft

² Behavioural Insights Team, "EAST: Four simple ways to apply behavioural insights." See: http://www.behaviouralinsights.co.uk/wp-content/uploads/2015/07/BIT-Publication-EAST_FA_WEB.pdf (2014).

Other ideas....

- **Required action** – make it compulsory for individuals to click the “review” button and check their claims
- **Ordering** – have the most important dot point (e.g. the WRE message) appear first in the message box
- **Timing** – have the WRE nudge message appear as soon as the client fills out their WRE claims, rather than at the end of the form

		X-Variable	Y-Variable
1	-0.04507	0.95493191	\$469
2	-0.57144	1.42855856	\$475
3	0.227258	3.22725791	\$731
4	-0.24665	3.75334753	\$679
5	-0.92874	4.07125941	\$591
6	-0.25623	5.74377266	\$559
7	0.776751	7.77675105	\$726
8	0.891676	8.89167572	\$668
9	-0.02014	8.97985599	\$501
10	0.258567	10.2585666	\$462
11	0.901446	11.9014459	\$604
12	-0.77963	11.22037	\$844
13	-0.2584	12.7416013	\$772
14	0.976282	14.9762815	\$784
15	0.328746	15.3287465	\$629
16	0.34986	16.3498601	\$809
17	0.794838	17.7948382	\$782
18	0.199266	18.1992659	\$881
19	-0.79274	18.207258	\$703
20	-0.63838	19.361625	\$665
21	-0.9524	20.0476012	\$911
22	-0.30442	21.6955768	\$656
23	0.464386	23.4643864	\$809
24	0.198925	24.1989245	\$900
25	0.687578	25.6875784	\$751
26	-0.80578	25.1942183	\$726
27	-0.03232	26.9676838	\$937
28	-0.01639	27.9836086	\$981

76	0.51077	76.51077	\$1,115
77	-0.97535	76.02465	\$962
78	0.097599	78.0976	\$994
79	0.994146	79.99415	\$1,323
80	-0.77059	79.22941	\$1,162
81	0.727068	81.72707	\$1,253
82	0.533483	82.53348	\$1,230
83	0.877734	83.87773	\$1,431
84	0.354726	84.35473	\$1,077
85	-0.27281	84.72719	\$1,588
86	0.042662	86.04266	\$1,713
87	0.650989	87.65099	\$1,404
88	-0.0654	87.9346	\$1,366
89	-0.17779	88.82221	\$1,761
90	-0.97702	89.02298	\$1,963
91	0.37681	91.37681	\$1,952
92	-0.62965	91.37035	\$2,033
93	-0.21543	92.78457	\$1,938
94	0.947244	94.94724	\$2,386
95	0.769318	95.76932	\$2,232
96	0.933321	96.93332	\$2,264
97	0.504914	97.50491	\$1,905
98	0.171739	98.17174	\$2,557
99	0.46364	99.46364	\$2,319
100	-0.207	99.793	\$2,530
101	0.792997	101.793	\$2,561
102	1.792997	103.793	\$2,611
103	2.792997	105.793	\$3,099

29	-0.31722	28.6827805	\$824
30	-0.55596	29.4440416	\$953
31	0.985499	31.9854991	\$1,123
32	0.826099	32.8260985	\$873
33	0.316282	33.316282	\$868
34	-0.18225	33.8177504	\$1,112
35	0.74575	35.7457501	\$914
36	0.801946	36.801946	\$1,107
37	-0.53491	36.4650928	\$1,243
38	-0.25943	37.7405651	\$1,159
39	-0.71601	38.2839893	\$1,123
40	-0.30436	39.6956378	\$1,034
41	-0.95723	40.0427733	\$1,201
42	-0.59857	41.4014258	\$948
43	0.18043	43.1804301	\$1,290
44	0.118505	44.1185054	\$1,044
45	-0.29683	44.7031724	\$1,166
46	-0.2831	45.7169045	\$1,058
47	-0.61878	46.3812245	\$1,337
48	-0.34604	47.6539599	\$1,092
49	-0.30867	48.6913269	\$1,382
50	0.781296	50.7812962	\$1,430
51	0.446646	51.4466463	\$1,400
52	0.200605	52.2006053	\$1,173
53	-0.95217	52.0478337	\$1,331
54	0.791115	54.7911147	\$1,260
55	0.243854	55.2438536	\$1,137
56	-0.7108	55.2892024	\$1,411
57	0.020505	57.0205045	\$1,337
58	-0.89307	57.1069256	\$1,190

104	3.792997	107.793	\$3,191
105	4.792997	109.793	\$2,838
106	5.792997	111.793	\$2,851
107	6.792997	113.793	\$3,418
108	7.792997	115.793	\$3,615
109	8.792997	117.793	\$3,179
110	9.792997	119.793	\$3,193
111	10.793	121.793	\$3,536
112	11.793	123.793	\$3,643
113	12.793	125.793	\$3,968
114	13.793	127.793	\$4,041
115	14.793	129.793	\$4,588
116	15.793	131.793	\$3,970
117	16.793	133.793	\$4,213
118	17.793	135.793	\$5,041
119	18.793	137.793	\$5,039
120	19.793	139.793	\$4,470
121	20.793	141.793	\$5,192
122	21.793	143.793	\$5,258
123	22.793	145.793	\$5,664
124	23.793	147.793	\$5,682
125	24.793	149.793	\$5,142
126	25.793	151.793	\$5,776
127	26.793	153.793	\$6,194
128	27.793	155.793	\$5,587
129	28.793	157.793	\$5,528
130	29.793	159.793	\$5,983

59	-0.52993	58.470069	\$1,355
60	-0.91155	59.0884521	\$1,546
61	0.973354	61.9733537	\$1,372
62	0.071349	62.0713489	\$1,429
63	-0.88639	62.1136094	\$1,305
64	0.227608	64.2276083	\$1,439
65	0.7277	65.7277003	\$1,342
66	-0.76183	65.2381716	\$1,392
67	-0.87537	66.1246322	\$1,389
68	0.498963	68.4989628	\$1,435
69	0.758971	69.7589709	\$1,477
70	0.517667	70.5176668	\$1,362
71	0.111163	71.1111633	\$1,548
72	-0.58664	71.4133609	\$1,760
73	0.866701	73.8667013	\$1,717
74	0.164258	74.1642585	\$1,759
75	0.983669	75.9836685	\$1,445

Briefing Note

Issue date:	9 March 2017		
To:	s 22 (Director, Behavioural Economics Team of the Australian Government - Department of the Prime Minister and Cabinet) s 22 (Behavioural Insights Adviser Assistant Director - Behavioural Economics Team of the Australian Government - Department of the Prime Minister and Cabinet) s 22 (Behavioural Insights Adviser - Behavioural Economics Team of the Australian Government - Department of the Prime Minister and Cabinet)		
Copies to:	s 22 (Assistant Commissioner Individuals) s 22 (Actg Assistant Commissioner Individuals) s 22 (Assistant Commissioner Individuals)		
From:	s 22 (Director Digital Projects - Individuals Engagement and Support – Individuals)		
Business line:	IND	Section:	Digital Projects – Individual Engagement and Support
Contact officer:	s 22	Contact phone:	s 22
Subject:	Real-time Analytics myTax17 and the pilot of a nudge message for Tax Agents		

Purpose

To provide an update on the progress of the RTA myTax17 program of work and the design of a nudge notice for tax agents to form part of the Pre-filling report for Tax Time 17.

myTax17 Real-time Analytics

1. The myTax17 build program is now well underway with our EST and Smarter Data colleagues developing the required infrastructure to support the revised nudge messages.
2. As advised we are changing the point at which the trigger will be implemented. It has now been settled that it will generate when a client has selected the declaration checkbox just prior to the submission of the return. This will ensure that a client has completed all the necessary fields for an effective assessment of their affairs. Unlike myTax16 we will not be restricting the call to once per session but will assess each submission. However, we have implemented a control to enable us to activate this option if there is evidence of 'systematic gaming' to test our rules.

3. As per our discussions we are running three messages associated with work related expenses. Two of these relate to our nearest neighbour models and the final message for those who trigger the high risk work related expense rule. (It should be noted that the nearest neighbour rules will take precedence. The high risk rule is designed as a catch-all.) The following table outlines the nearest neighbour messages :

Message type	Message design
Specific labels identified	<i>Your total work-related expenses of \$26,488 are high compared to others in your occupation with similar income. Please review these amounts, particularly your claims for car, travel, uniform, self-education and other deductions. (Occupation: pharmacist - retail)</i>
General	<i>Your total work-related expenses of \$24,323 are high compared to others in your occupation with similar income. Please review your claims. (Occupation: pharmacist - retail)</i>
High risk rule message	<i>Your total work-related expenses of \$12,325 have changed significantly compared with last year's return. Please review your claims.</i>

4. We are also adapting the overall message design to include a level of personalisation and an overarching message :



Hi Jeremy – is this correct? Please check the following:

- You have not declared any interest or dividend income. Your last return showed \$550 in interest and \$600 in dividends. Please check that you have included all your income for this year.
- Your total work-related expenses of \$26,488 are high compared to others in your occupation with similar income. Please review these amounts, particularly your claims for car, travel, uniform, self-education and other deductions. (Occupation: pharmacist - retail)
- Your claim of \$3,333 for the cost of managing your tax affairs is higher than expected given you lodged your own return last year. Please review this claim.

[Review](#)

[Review](#)

[Review](#)

If these details are correct you can continue to lodge without review

5. Based on your advice we are implementing an overall 20% control group for those that trigger a message.
6. We are now commencing work on the design of our reporting and evaluation requirements

Nudge message for Tax Agents for Tax Time 17

7. I made mention at our last meeting that we investigating how we could broaden the real-time analytics program to the tax agent market. We are advancing our consultations with the tax profession and software suppliers with a view to a possible implementation for tax time 2018 or tax time 2019.
8. In line with this objective we are working with our EST colleagues to implement a nudge message within the current pre-fill report that is used by tax agents as a key resource when preparing an individual income tax return. Our proposed design is to provide a nudge message focused on a client's work related expense risk based on their latest immediate prior year return.
9. The following design has been approved to appear as part of the prior year data for a client:

Deductions reported in 2015-16	Type	Amount
Work related expense risk		
• Your client's work related expenses for 2015-16 are high compared with taxpayers in similar occupations and income range. We recognise that larger claims can be legitimate, however we may review deductions for this client if they remain high in 2016-17.		
Work related car expenses	Claim type C	\$444.00
Work related travel expenses		\$154.00
Work related uniform expenses	Claim type P	\$20.00

10. Given the systems challenges we have corporately faced recently we are continuing to work with our EST colleagues on the delivery of this program.

Action

As per Kailash's email of 24th February we would appreciate the opportunity of advancing our discussions regarding the design of the evaluation strategy and how this can be implemented. This will be a key input into the broader application of the approach to other markets and products across the ATO.

Once again thanks for your teams interest in our program of work.

s 22

Director

Digital Projects - Individual Engagement and Support

Individual Taxpayers

Phone: s 22 | Mobile: s 22

	Honesty Declaration (Beginning of Form)	Nudge Message (End of Form)	Proportion of Sample
Control	No	None	20%
Treatment 1	No	Standard message	20%
Treatment 2	No	Less specific standard message	20%
Treatment 3	No	Risk of audit	20%
Treatment 4	Yes	None	20%

Task	Responsibility	Due Date
Determine whether audit message can appear in the header or as the first dot point of the message	ATO	?
Check whether it's possible to have an upfront honesty declaration	ATO	?
Ethics approval	BETA	17 Feb
Draft honesty declaration message	ATO & BETA	17 Feb
Finalise wording for all nudge messages	ATO & BETA	24 Feb
Meet to discuss implementation and data collection	ATO & BETA	24 Feb
Write and register pre-analysis plan	BETA	15 Apr
Launch myTax intervention	ATO & BETA	01 Jul



BEHAVIOURAL ECONOMICS TEAM OF THE AUSTRALIAN GOVERNMENT

Agency:	Australian Taxation Office
Policy Issue:	Tax Collection
Project Name:	MyTax 2017 Real Time Nudge
Potential partner(s):	
Agency Contact:	s 22
Date:	XXX
New or existing policy/program/procedure	☐ New
	☒ Existing. Name of program: MyTax

Project Information

What is the problem to be addressed?

The ATO would like to help ensure that individuals claim the correct amount of work related expenses when lodging through the MyTax portal.

What is the extent of the problem?

Over one million Australian tax payers lodge their tax returns through the MyTax portal. Work related expenses claims made through this portal total close to \$2 billion. It is thought that many individuals mistakenly make claims for deductions they are not entitled to.

How is this currently measured?

Deductions made through the MyTax portal are captured by ATO's internal data systems.

What is the outcome of interest?

The primary outcome of interest is the average amount of work related expenses claimed by individuals.

Secondary outcomes of interest include (i) the amount of other deductions made (ii) net tax paid.

Sub-group analysis to understand effects on specific groups within the population would also be of interest.

What is the current behaviour of the population?

Individuals may be unsure of what expenses they are entitled to claim. They also have no way to gauge how their claims compare with their peers. This may lead some individuals to over claim deductions.

Are there behavioural interventions or project designs in mind?

It is proposed that a real-time message be used to help individuals claim the correct amount when lodging through the MyTax portal. Over-claiming individuals may be inclined to reduce their claims if they receive a message which benchmarks them against their peers.

What are the potential benefits of the project?

The project could generate large savings for the Commonwealth. A 5% reduction in work related expenses claims made through the MyTax portal would represent a \$100 million saving for the Commonwealth.

Are there other stakeholders / agencies involved with the project? In what capacity?

No

Are there any sensitivities for this project?

No

When could the project commence?

The trial would launch in July 2017. Discovery and diagnosis work on the project has already been completed in partnership with BETA.

(Optional) Is there any other additional context BETA should receive? For example, is there any relevant previous research that has been undertaken in the area?

ATO would like to run the data analysis for the RCT in-house. BETA would assist with the trial design and analysis plan to ensure that the methodology used is as rigorous as possible. BETA and ATO will publish a joint policy report .Pending a successful trial, a joint academic publication would also be desirable.