

Tax Evasion in Brazil: The Case of Specialists

Authors : Felipe Clemente, Viviani S. Lírio

Abstract : Brazilian tax evasion is very high. It causes many problems for economics as budget realization, income distribution and no allocation of productive resources. Therefore, the purpose of this article is to use the instrumental game theory to understand tax evasion agents and tax authority in Brazil (Federal Revenue and Federal Police). By means of Game Theory approaches, the main results from considering cases both with and without specialists show that, in a high dropout situation, penalizing taxpayers with either high fines or deprivations of liberty may not be very effective. The analysis also shows that audit and inspection costs play an important role in driving the equilibrium system. This would suggest that a policy of investing in tax inspectors would be a more effective tool in combating non-compliance with tax obligations than penalties or fines.

Keywords : tax evasion, Brazil, game theory, specialists

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