A Survey on Taxpayer's Compliance in Prospect Theory Structure Using Hierarchical Bayesian Approach

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Abstract : Since tax revenues are one of the most important sources of government revenue, it is essential to consider increasing taxpayers' compliance. One of the factors that can affect the taxpayers' compliance is the structure of the crimes and incentives envisaged in the tax law. In this research, by using the 'prospect theory', the effects of changes in the rate of crimes and the tax incentive in the direct tax law on the taxpayer's compliance behavior have been investigated. To determine the preferences and preferences of taxpayer's in the business sector and their degree of sensitivity to fines and incentives, a questionnaire with mixed gamble structure is designed. Estimated results using the Hierarchical Bayesian method indicate that the taxpayer's that have been tested in this study are more sensitive to the incentives in the direct tax law, and the tax administration can use this to increase the level of collected tax and increase the level of compliance.

Keywords : tax compliance, prospect theory, value function, mixed gamble

Conference Title : ICSRD 2020 : International Conference on Scientific Research and Development

Conference Location : Chicago, United States

Conference Dates : December 12-13, 2020