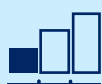**NSW GOVERNMENT**

Reducing errors through regulatory experimentation

Boosting the accuracy of tax returns –
Inland Revenue Authority of Singapore

Level:		Industry:		Location:	
Easy		**Tax regulation**		**Singapore**	

Overview

The Inland Revenue Authority of Singapore (IRAS) provides a No-Filing Service (NFS) that automatically pre-fills tax returns for eligible taxpayers using available data. Taxpayers are expected to review this pre-filled information carefully before submitting their returns. However, IRAS noticed that some taxpayers were not thoroughly checking their pre-filled returns, which resulted in mistakes and the need for corrections. To address this, IRAS experimented with a simple two-step approach designed to encourage taxpayers to (a) take ownership in ensuring the accuracy of pre-filled information, and (b) review their tax returns more carefully.

Key finding 1

Increased likelihood of taxpayers filing their tax returns by up to 5.9 percentage points (p.p.).

Key finding 2

Reduced the likelihood of tax returns being reviewed by 0.2 p.p.

Outcome

IRAS implemented the redesigned SMS notification and self-help navigation prompts for taxpayers.

Evaluation method

Before and after study.

Background

IRAS wanted to improve tax reporting accuracy by encouraging taxpayers to verify their pre-filled tax returns before filing.

IRAS administers taxes and enterprise disbursements in Singapore. For straightforward tax matters, IRAS offers the No-Filing Service (NFS) to make filing easier for taxpayers. Under this service, tax returns for eligible taxpayers are pre-filled based on existing data sources. Taxpayers are to review the accuracy of these returns and correct any errors by filing a return.

IRAS was concerned that some NFS taxpayers were not thoroughly checking their prefilled returns even when their tax situation had changed, which could lead to potential downstream objections or revisions to their tax assessments. IRAS wanted to promote greater ownership over personal tax matters and reduce incidence of tax assessments finalised on incorrect or outdated claims.

Intervention and outcome

IRAS increased the likelihood of NFS taxpayers filing their tax returns by up to 5.9 p.p.

IRAS tested a two-step solution for all NFS taxpayers:

1. In step one, IRAS redesigned their SMS notification by making the call-to-action more prominent, drawing on the behavioural science concept of salience. IRAS also sent a new reminder SMS to some taxpayers closer to the filing due date, which emphasised how IRAS had helped to pre-fill parts of the tax return and the consequences of not checking the pre-filled information.

2. In step two, IRAS introduced self-help navigation prompts to the tax portal, which encouraged NFS taxpayers to consider the consequences of different options and review their tax returns carefully.

IRAS found that each intervention in the two-step solution helped to encourage NFS taxpayers to verify their tax returns before the filing due date. The redesigned SMS notification increased filing, a proxy for verification, by 2.3 p.p. (compared to the previous year), the reminder SMS by 3.0 p.p. (for those who received it), and the self-help navigation prompts by 5.9 p.p. (for those who accepted it). The solution also reduced the chance of NFS taxpayers being selected for backend review by 0.2 p.p.

IRAS has implemented the redesigned SMS and self-help navigation prompts for all NFS taxpayers, and reminder SMS for selected NFS taxpayers.

Key steps for successful experiments
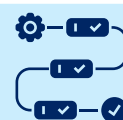
✓ Establish institutional support to unlock collaboration.

Both IRAS leadership and system teams were supportive of the experiment. This institutional support facilitated effective internal collaboration across the project. For example, the system teams helped to implement the SMS in step one and self-help navigation prompts in step two.

Consider fostering strong institutional support and collaboration within the organisation.

✓ Bring together diverse skills.

IRAS formed a multi-disciplinary project team which composed of the team overseeing NFS taxpayers, the central Behavioural Insights (BI) and Design team, and BI and Design community members.

Consider assembling a diverse team with varied expertise to enhance the effectiveness of experiments and research projects.

Overcoming implementation challenges

Running experiments with real-world services can be challenging. IRAS' processes are highly automated with complex system rules. Initially, IRAS wanted to test multiple versions of the SMS notification in step one, but due to the system's complexity, IRAS simplified the experiment and tested only one SMS version. The simpler design allowed IRAS to more clearly identify what worked and what didn't, demonstrating that sometimes simplicity is better than complexity.