

Shaming for Tax Enforcement: Evidence from a New Policy

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Abstract

Can public shaming increase tax compliance through social pressure? Many tax authorities make ample use of public shaming. However, empirical evidence from outside the laboratory on how a new shaming law affects overall compliance is lacking. We provide the first evidence from the field, exploiting comprehensive administrative tax data and the introduction of a novel naming-and-shaming policy in Slovenia in 2012. The policy aims to reduce outstanding tax debt among the self-employed and corporations. Our empirical strategy exploits the variation across taxpayers in ex ante exposure to the shaming policy. We find that taxpayers reduce their tax debt by 8.5% to avoid shaming, particularly in industries where reputational concerns are likely to be important. The publication of the first naming-and-shaming list further reduces tax debt among shamed taxpayers because of social learning. This effect, however, is marginal in terms of revenue and tapers off quickly.