

Procedural Fairness and Taxpayers' Response: Evidence from an Experiment

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This paper investigates how the introduction of majority voting affects the income reporting behavior of taxpayers. According to our experimental results, a group of individuals report more income, and thus evade less tax when a majority voting is used to decide the tax in comparison to a group of individuals whose tax rate is decided by dictatorship. We also find that such a change in income reporting behavior under a majority voting rule is observed mainly for a subgroup of individuals whose preferred tax rate is not implemented in an experiment, and thus is likely to be dissatisfied with the implemented tax system. These findings hint at how the majority voting works for improving tax compliance behaviors by suggesting a channel of the effect of voting. Thus, they provide an affirmative evidence for a view that voting as a group decision process could work for improving tax compliance behaviors of taxpayers.

Key Words: Tax compliance, Experiment. Procedural justice, Voting.

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