

# Fiscal citizenship research project

## General Features

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CIOT and LITRG representatives discuss with academic researchers how people feel about paying tax and the role of tax advisers.

All countries have a fiscal culture, that is to say social norms around paying taxes and ‘tax morale’ – or how citizens feel – about paying taxes. The fiscal citizenship research project is a collaboration between the universities of Exeter, Calgary and Würzburg in the UK, Canada and Germany (countries that have all experienced a large influx of migrants from a wide range of countries, each with their own fiscal culture). It has allowed a multidisciplinary team to explore the concept, on a comparative basis, and in particular to look at the impact of demographic change in the form of migration, on established taxpaying norms.

In an event over the summer, attended by representatives of LITRG and the CIOT, the research team shared their thoughts on the academic definition and consideration of fiscal citizenship. They also shared some findings from their exploration to date, in the context of several sub-projects including:

- understanding migrants’ willingness to pay income taxes;
- the impact of tax culture on tax rate structure preferences;
- a legal framework for automated risk management in tax administration; and
- the role of tax advisers.

Findings are hugely interesting and exciting, for instance in terms of how they might help HMRC and others to support the concept of fiscal citizenship and tax morale, and design their approach to migrants. You can find the project website here: [tinyurl.com/bdermf3y](https://tinyurl.com/bdermf3y), where a range of publications can be found. A full set of working papers from the project and the slides from the presentations are available on the website.

In the meantime, a summary of some preliminary insights from the research looking at why people do and do not use tax advisers in different countries – which we thought UK advisers would find particularly interesting – has been helpfully provided below by the lead researcher for this area, Till-Arne Hahn:

### Basic statistics (UK only)

- 233 respondents have never used a tax advisor
- 315 respondents have a tax advisor (or have used one in the past)

### Main reasons for not using an advisor (UK)

- 73% expressed that there was ‘no need’ – typically because they owe no taxes beyond what is already collected through PAYE, or alternatively because their tax situation was relatively simple and/or their income did not justify hiring a tax advisor (Note: This was much higher than in Canada, where about 90% of the population files a return, as well as Germany, where it can often be advantageous to file a return.)

- Others stated that they were either sufficiently comfortable and/or competent to prepare their own taxes (11%) or that someone in their network assisted them with their taxes (2%).
- Some stated that tax advisors were simply too expensive (5%) or that they did not have sufficient confidence (or trust) in tax advisors (1%). (Note: While the cost concerns were much lower than in Germany, where the profession is regulated, concerns about competence (or integrity) of advisors was higher than in the two other countries. Not too much should be read into this specifically, though, given the limited responses in this regard, and the preliminary nature of the analysis overall.)

### **Main reasons for having an advisor (UK)**

- The single most frequent reason for having hired an advisor (as in the two other countries) was that a specific circumstance demanded it (28% in the UK and 29% overall). Most commonly, this was because the respondent had business (or self-employment) income (15%).
- Other reasons related mainly to dealing with other specific tax matters, such as an estate or a certain investment, or a cross-border matter or tax dispute. (Note: These other reasons were typically lower in the UK than in Canada or Germany.)
- Perhaps encouragingly, the second most frequently cited reason overall (12%) and in the UK specifically (17%) was a desire ‘to get things right’.
- Less positive are reasons related to the complexity of tax laws. Some expressed frustration with the difficulty of understanding the laws (as well as dealing with the HMRC) and relatedly others stated that they did not feel sufficiently competent to prepare their own returns, even if they may believe themselves to be intelligent and numerate otherwise (and may also feel that they should be able to take care of their tax matters on their own).
- For others (8%), possibly tied in with the above reasons, it was simply a matter of convenience.
- Perhaps surprisingly, and arguably contrary to popular perceptions, only 4% specifically cited tax savings as their main reason for hiring a tax advisor. (It should be noted, though, that given the possibility of social desirability bias affecting the responses, this number is likely to be at least somewhat underreported.)

### **Overall takeaways**

- To the extent that taxpayers do not turn to tax advisors because their tax situation does not warrant it, and do when it does, things appear to be ok.
- The concern that our preliminary results potentially raise is with the situations where taxpayers may not know that they might have potential tax issues (e.g. because of dealing with cross-border matters), or where they need (or could use) an advisor but cannot afford it.

### **Going forward**

- A second survey was conducted earlier this year (the results of which have not yet been analysed), which delved more deeply into the relative importance of the different reasons for hiring an advisor, as well as the particular reasons for choosing a specific advisor, and the main sources of tax information for those who do not rely on tax advisors.
- Those who are interested in participating in future studies or otherwise expressing their views are encouraged to contact us by email.

The CIOT and LITRG technical teams will continue to monitor the progress of this project and any further outputs, discuss emerging principles and implications and input thoughts as to future research directions.

If you would like to know more about the research in general or Till-Arne's work, or even collaborate in some way, please email me, with the subject line 'Fiscal citizenship project' and I will put you in touch with the team.

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