
How long-lasting are the effects of audits?

William Elming^{*1}, Jonathan Shaw¹, and Arun Advani¹

¹Institute for Fiscal Studies (IFS) – The Institute for Fiscal Studies 7 Ridgmount Street, London WC1E 7AE., United Kingdom

Abstract

Understanding tax non-compliance and the effectiveness of strategies to tackle it is crucial for a modern tax authority. In this paper we study the indirect benefits of conducting audits, focusing on how the reported tax liability of audited individuals responds after an audit. We exploit data from a random audit program covering income tax self-assessment returns in the UK. We find that audits have a large impact on reported tax liability, between 8 and 17 per cent for those who remain in self-assessment, and this persists for at least 10 years after the audit. This is the same order of magnitude as the initial audit adjustment across all taxpayers. Future work will study how much of this affect might be attributable to differential attrition from self-assessment tax for the audited group.

Keywords: Empirics

^{*}Speaker