THE FISCAL CITIZENSHIP PROJECT

WORKING PAPER

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No.3 | June 2023

Measuring an absence of fiscal citizenship: Reflections on the tax gap.

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Abstract

The *tax gap* is an increasingly common mechanism for assessing the mismatch between tax that theoretically should be collected, and tax that is actually collected. There are many countries that attempt to estimate what can be conceived of as a "revenue loss" and is in effect an absence of fiscal citizenship. The work of quantifying the tax gap has assumed almost a mythical status, presumed to be an accurate reflection of a real phenomenon. Simple in theory, full of caveats in practice, this is a number that causes quite a stir when published: "Imagine the good policies that could be implemented if all due tax was collected"! Politicians and public administrators steer compliance policies by reference to the tax gap, tax administrations see a shrinking tax gap as a sign of success. Media and stakeholders make all sorts of comparisons based on this fickle number.

This paper revisits the work with recent quantifications and calculations of the tax gap in Sweden and the United Kingdom. By using the concepts of imaginaries, we consider the political framing of these tax gap calculations, where the appropriation of the gap "number" by the commentariat has important implications for the management of fiscal citizenship.

> I read the news today, oh boy
> Four thousand holes in Blackburn, Lancashire
> And though the holes were rather small
> They had to count them all
> Now they know how many holes it takes to fill the Albert Hall
> (Extracted from A Day in the Life, by Lennon & McCartney)

Numbers matter. A lot when it comes to taxes. Taxes are collected to fund or pay for something – be it a palace, a war or a welfare society – and thus the amount of taxes collected has always been important. Knowing how much a certain tax will raise thus becomes a tool for future public governance. On predictions of future income, future policies can be made.

The are many reasons for non-compliance. Governments work diligently to encourage citizens to believe in financing the state – what can be called fiscal citizenship – but also to identify and control reasons for non-compliance with the rules demanding fiscal contributions. An increasing number of countries quantify these varying forms of non-compliance. In aggregate, this is increasingly referred to as the tax gap.

In this article, we are interested in the absence of fiscal citizenship that leads to a failure to collect all the taxes that should be able to be collected. Fiscal citizenship is a complex and nuanced concept. It has been described as a social contract between the state and a class of actors whereby rights are exchanged for obligations in the form of tax liabilities (Freund 2019) or more broadly as the funding of public expenses including other investments in public funding (Sparrow 2008). In a historical study of American tax policies, Ajay Mehrotra (2013) takes an even more encompassing approach, articulating it as a citizen's relation to living in a democracy, not only between citizens and state, but also between fellow citizens. Such fiscal citizenship makes possible individual economic opportunities which includes redistribution of taxes for the betterment of society (Mehrotra 2013, cf. Morgan & Ericksen 2017). Emanuela Guano argues that fiscal citizenship in Italy is inherently unstable. Italians negotiate the state's pledge of fiscal fairness and universalist distribution on the one hand, and on the other hand, the 'seemingly capricious application of rights, duties and entitlements' (Guano 2010). Although fiscal citizenship can be understood in numerous ways, for our present purposes we conceive fiscal citizenship as people's full compliance with obligations to pay taxes to a particular state (cf. Musgrave 1997). An absence of fiscal citizenship, then, includes failure to pay the correct amount of tax at the right time.

Although it is a very important job to fight tax evasion and avoidance in whatever guise they take, we are critical of the contemporary pursuit of measuring and identifying *the* tax gap. What is getting counted and measured can be used politically; it is therefore important that the opaque tax gap calculation is made transparent. Thus, we hope that our article can foster a discussion about alternative ways to understand why tax errors occur instead of single-minded pursuit of a number. Even if, as we will show, the tax gap is elusive, it is still a sign of the idea of a number's persuasiveness which will overrule any verbal deliberations when/if delivered to the public (Bornemark 2018). What we are concerned with is that numbers allow a translation of something complicated into an understandable language that often makes us forget how they can also be political tools (Mårtensson 2009). As noted, when the latest UK tax gap was published, "the headline, which is all that many people will read, boils the tax gap down to a single figure with a superficial air of accuracy" (Self 2020). Policy makers have used the tax gap number to fill the lacuna of debates about public funding "reinforcing perceptions about who pays taxes, who avoids them, and what consequences such avoidances have" (Björklund Larsen 2017a).

Yet, the making and usage of the tax gap prevails and spreads and considerable resources are devoted to constructing and construing the gap numbers. Tax administrations across the world are encouraged to measure the tax gap. For example, the IMFs Fiscal Affairs Department has a team devoted to advising tax administrations on how to measure the gap. There are Tax Gap Conferences where tax administrators can meet and discuss the latest insights and developments. In the recent OECD Tax Gap Conference, taking place at its Paris headquarters in February 2023, the chairman's welcoming speech was a call to arms for tax administrations of the world to start assessing 'their' tax gap. There is little questioning of *if*, but the entire focus is on *how*. It is to this discussion we address our article. In particular, we look at the making of the tax gap numbers in Sweden and the UK. Instead of using such numbers unreflexively for all sorts of political reasons (cf. Murphy 2017), our aim is to understand what function the tax gap fulfills in contemporary society for those involved in its calculation.

We ask what purpose the tax gap numbers serve for the tax authorities that make them and what impact they are seen to have on society. We do this by using the concept of imaginaries (Taylor 1992, Appadurai 1996, Jasanoff 2015 cf. Beckert 2016, 2020) thus casting a gaze towards the future. We build on previous critical analysis of the tax gap (e.g. Gemmell & Hasseldine 2012, Björklund Larsen 2017a, Skatteverket 2020: 13). Lotta Björklund Larsen demonstrated that we could just not unpack the black box of the Swedish tax gap number. Drawing on critical research of calculative practices (Callon 1998, Callon & Muniesa 2005) and on work dealing with uncomfortable numbers (Ballestero 2014, Seabra-Lopez 2015), she pointed out that a number published with many caveats was still used with an aura of certainty for numerous political purposes. Furthermore, we have to envision what could otherwise be in the void, of what those who calculate the number could not know. The present analysis builds on this article but has different foci. First, it is a comparison of the work of tax administrations in Sweden and the UK. A comparison allows us to point out that the tax gap can have different purposes despite being based on similar calculations but also result in different strategies when communicating them. Countries pay close attention to each other's methods of assessing the tax gap (e.g. Skatteverket 2020), yet there is not just one number that allows comparison between countries (OECD?). Second, by looking towards the future we may better understand respective tax administrations' purpose in calculating what we consider to be an illusory number. What role is the tax gap supposed *to play* in the society for which it is calculated. What kind of "stories" does imagination create when the reference points lie in the future?" (Guyer 2007: 417). Third, in this pursuit we also update what tax administrations have learned about the tax gap as both the HMRC and the STA have engaged in these calculations for several years.

The article is organized as follows. We continue this introduction by describing how advocates for tax gap calculations contemporarily define it. We then describe the work with the tax gap at the Swedish Tax Administration, *Skatteverket,* STA followed by the endeavors of the UK Tax Administration, His Majesty's Revenue and Customs, HMRC. We conclude by discussing some promises these calculations are argued to make by drawing on the concept of imaginaries (Appadurai 1996, Taylor 2002, Jasanoff 2015).

What is the Tax Gap?

A general definition of the tax gap is the difference between taxes actually paid and taxes theoretically collectable by the tax authority under the law. Several international organizations have established working groups defining and estimating the tax gaps. The VAT tax gap appears to be the easiest tax gap to calculate, in light of data availability on consumer spending. Within the EU it is common to estimate the VAT gap (Fiscalis 2016, p. 22). The IMF started in 2017 with an overarching framework for the VAT tax gap (Revenue Administration Gap Analyses Program, RA-GAP) which also helps tax administration to set up and calculate gap estimates. This tax gap emerges as a difference between actual tax receipts and receipts that would be given under some perfectly enforced benchmark tax system. The IMF divides the tax gap into a "compliance gap" i.e. imperfect compliance with the current tax system, and a "policy gap". The policy gap is a deviation of current tax rules from the benchmark (IMF 2015: 64), thus an estimate of the difference between the total amounts of taxes theoretically collectible under the general rules of tax law (i.e. ignoring deviations from the general rules) and the total amounts of tax actually collected. It is thus a reduction in the all-inclusive potential liabilities due to policy choices or non-taxable items (IMF 2023). The OECD[1] has developed the VAT Revenue Ratio (VRR). This indicator combines the effect of revenue losses as a consequence of exemptions and reduced rates, fraud, evasion and tax planning. The theory is that VRR measures the difference between VAT revenue actually collected and what would be raised if VAT was applied at the standard rate to the entire tax base and all revenue was collected (OECD 2015). Yet, within the VRR there lies a difficulty disentangling its different components (Fiscalis 2016: 17).

Taking an encompassing approach, some tax authorities, like the US Internal Revenue Service take this one step further making a distinction between a net tax gap and a gross tax gap. The difference is that the latter disregards late tax payments and enforced tax collection and is instead "total amounts of tax theoretically collectable and the total amounts of tax actually paid on time for a given tax period". Other large tax collectors of the world have likewise engaged in the work offering various definitions as estimating the national tax gap is a task encouraged by the OECD and performed by many of its members' tax authorities (OECD 2008, 2010, 2019). Methodologically, the OECD proposes that the tax gap is "the total amount of tax not collected resulting from all forms of non-compliance in a particular fiscal period" (OECD 2008, p. 11). The gap is thus an estimate of tax non-compliance and is supposed to illustrate numerous issues: to what extent taxpayers pay "the correct tax"; tax administration's aim to collect the correct amount of revenue by identifying the lacunas; and that the tax administration system has integrity and is efficient. Furthermore, it is suggested that the tax gap be used as part of tax administrations risk management analysis (TAXUD 2019) or to enable comparisons between EU member states (Fiscalis 2016, 2018). For many tax administrations it is also a way to increase revenues. While pursuing these goals, there is common understanding that the tax gap can only provide broad indications about non-compliance (e.g. OECD 2019: 34). As Fiscalis notes, "tax gap estimations are rough indicators of revenue loss" (2016: 13).

It is noteworthy that there is no single phenomenon such as *the* tax gap; there will always be at least as many tax gaps as there are taxes to monitor and collect (OECD 2008, p. 15; Fiscalis 2016, p. 21). The tax gap calculations depend on what methods are available for each tax administration to assess the amount of tax not collected (Gemmel & Hasseldine 2012). This means that various tax collectors may define the gap differently, with the implication that even the same collector is continuously challenged by changed tax legislation and/or new taxes. These might not be easily collected and can thus have a negative impact on previous estimates of the tax gap number. Any gap number varies not only due to changed enforcement over the years but to changes in the very content of taxes due, how the economy at large performs (e.g. IRS 2016, p. 8), how taxes are reported and collected as well as to the capability among tax administrations to assess the gap (Skatteverket 2020: 12).

[1] OECD (Organisation for Economic Co-operation and Development) is an intergovernmental economic organization of 35 countries, founded in 1961 to stimulate economic progress and world trade.

The methods used to assess it also differ (Fiscalis 2016). Yet the practice of calculating this number spreads among tax administrations (OECD 2019: 34) and there is work amalgamating the different practices. The European Parliament called on the European Commission "to create, on the basis of best practices currently used by Member States, a harmonized methodology, which should be made public and that can be used by the Member States to estimate the size of the direct and indirect corporate tax gaps' and to 'use the agreed methodology and all the necessary data in order to produce and publish, biannually, an estimate of the direct and indirect corporate tax gaps across the Union".[2] In 2017 more than 31 tax administrations published a gap estimate for at least one of the main tax types.

Comparison between countries proves to be challenging. Fiscalis notes that the tax gap may be caused by "unclear legislation, negligent omissions, differences in interpretation, lack of knowledge, and non-deliberate errors" (Fiscalis 2018, p. 11). In addition, we note tax administrations' various strategies to improve fiscal citizenship. How national tax laws are interpreted in practice varies across both time and space (for example Björklund Larsen 2017b) which might lead to differences between the tax intended to be collected and the amounts actually collected. The tax gap calculations stem not only from low tax morale among taxpayers and how tax avoidance and tax evasion respectively are interpreted, but also from complex tax systems, unclear tax legislation and insolvencies which rise due to the state of the economy (Fiscalis 2018, p. 11)

Swedish Tax Administration: a reluctant tax gap assessor

The first time the STA estimated the tax gap was in 2007 when a *tax gap map* was proudly presented with an accompanying estimate (Skatteverket 2008). The map showed a breakdown of the tax gap between different sectors of the economy as well as for different groups of taxpayers. This work was part of the STA's aim to identify risks, create an understanding of where additional knowledge was needed, and stimulate a discussion about STA's best use of resources. The STA prominently stated that the goal was to halve the tax gap by 2012. Yet, internally within the administration there were voices of concern raised over the tax gap number and the STA quickly abandoned the goal when it realized that the more it learned about the gap, the larger it grew (Björklund Larsen 2017a). The Swedish Ministry of Finance, who governs the STA, found the tax gap, however, to be a good way to steer STA activities and in 2013's Appropriation Directive,[3] the STA was explicitly asked

[2] Motion for a European Parliament Resolution with recommendations to the Commission on bringing transparency, coordination and convergence to Corporate Tax policies in the Union, 2 December 2015. http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+REPORT+A8-2015-0349+0+DOC+XML+V0//EN&language=en

[3] An Appropriation Directive is a public document which governs the about 350 Swedish public bureaucracies. Every year the Government issues appropriation directions for each government agency. This public document states the government's objectives and performance requirements for the authority in question as well as the financial conditions, including the budget for each authority. These appropriation directives are more or less detailed in content, but they spell out the aims for each authority and can also demand specific status reports. The government or any minister cannot steer the daily activities or the application of law at each bureaucracy or having any (direct) influence over the tax affairs of individuals or businesses. The STA is thus accountable to the government but operates as an autonomous public authority. Deciding on what taxes – and how much tax – Swedes should pay, is the task of democratically elected politicians in the Riksdag, in municipalities and in county councils.

anew to assess the development from 2007 to 2012. The STA's response was reluctant, stating that for methodological reasons, it was neither possible to produce a new map nor calculate a new number (Skatteverket 2014). The Ministry of Finance was however adamant and since 2017 the STA is given the yearly task of assessing the size and the development of tax gap. That calculation of the gap is something the main players in the Swedish economy – Swedish Trade Union Confederation, *LO,* and Confederation of Swedish Enterprise, *Svensk näringsliv* – can agree on (Törnvall 13.11.2017), is most probably another motive. For 2021 it was even the very first task stated in STA's yearly Appropriation Directive: "The difference between, the decided and the theoretically correct, amounts for tax and fees (tax gap = *skattefelet*) should be as small as possible. The STA shall estimate the size of the tax gap and to what extent that tax gap has changed" (Finansministeriet 2021, author translation). The tax gap is not just an assessment; it also directs the attention of STA's need to work continuously to improve fiscal citizenship.

The STA acknowledges that it has fulfilled the requirements by describing the methods and the result(s) in publicly available reports (e.g. Skatteverket 2014, 2018, 2020, 2021). In the latest assessment, the STA operationalizes the definition in the Appropriation letter by adding: "T[he tax gap is t]he difference between what should have been decided if all declared their activities and transactions correctly, and the tax decided after the STAs controls" (2021). Controls in this context refers to the various strategies and processes designed to identify non-compliance, including audits. Noteworthy is that it is emphasized that the tax gap is a theoretical construct and that its definition differs from most other nations; the Swedish tax gap does not consist of uncollected tax but of a theoretical amount of taxes that ought to be reported.

Calculative methods reported are both top-down and bottom-up. Top-down calculations are based on aggregate calculations of the entire economy. Top-down calculations can give an indication of the size but cannot determine the origin of the tax gap. Bottom-up is based on taxpayer data and more specifically on sampled audit controls. These are extrapolated to make estimates for the entire population. Yet, the STA recognizes two current problems. First, controls are based on sampling more risky taxpayers which are not representative of the entire population. Extrapolating the findings is thus fickle. Second, tax controls can only be made with existing methods. There are indications of the existence of other tax gaps which are difficult to find, "that in practice cannot be detected by available control methods" (2021: 9).

The STAs description of the tax gap calculation shows how elusive such a number is as well as the problems that arise through using it as an estimate of deliberate tax fraud and tax evasion. The total tax gap consists of errors made, intentional or not, by different actors across the various tax types. There could be differences in taxes reported and taxes corrected after STAs control; with the available current assessment methods, there is no accounting for tax collection losses; economic activities that do not leave any or only a very vague trace and are thus very difficult to identify or would not have taken place if they were subject to tax.

Currently, there is not *one* Swedish tax gap number. This follows the many caveats stated throughout the report presenting numbers for 2020 (Skatteverket 2021). For example: the tax gap is only assessed for parts of the economy; only tax gaps that are controllable with existing methods are reported; data might only be available for a specific year as the calculations are based on audit controls; the time series are too short to provide any development. The STA concludes that it is too early to present a total estimate for the entire economy, even speculating that some of the economic activities would not even have taken place if they were taxed. It would be impossible to eliminate the tax gap in its entirety (2021: 8). The tax gap can thus never be eliminated but the STA notes that it "creates good possibilities in order for all taxpayers to do "right from the start" (2021: 7). As the tax gap(s) analysis is stated to be a "sign of something" it is to be used to increase compliance strategies.

The STA has thus managed to wriggle out of providing *one* number. Instead, it has developed an indicator model to trace the *development* of the estimated tax gap. The indicator is defined as "a sign of something" or "to make something realizable" (2021: 35). The indicator consists of five tax gap factors: possibilities to be compliant; possibilities to make errors; perceived risk of detection; motivation; and social trust. Surprisingly, each of these indicators is based on STA's yearly attitudinal surveys of taxpayers – corporations and individuals– where they respond to questions such as if they 1) know someone that cheats with taxes or 2) know someone that has provided or 3) bought informal work. The tax gap estimates have thus evolved from assessments about non-collected tax based on actual audits and economic modelling to the attitudes people taxpayers hold on tax and taxation. The STA clearly shows how elusive the tax gap is while relying more on what taxpayers *say* about tax evasion and avoidance instead on what they *do* – their actual behavior. This is nothing less than truly astonishing and a complete denial of the possibility to measure the actual tax gap; originally defined as the theoretical amount of taxes that ought to be reported.

In sum, the latest Tax Gap report states that "the assessment of the size of the tax gap has not yet reached the stage where time-series data from previous tax gap assessments can be used to assess tax gap development" and "the Swedish Tax Agency's general assessment is, however, that it is not possible to draw any conclusions regarding short-term changes in the tax gap based on this year's indicators" (2021: 5), indicators constructed by reference to people's attitudes instead of their actual behavior.

His Majesty's Revenue and Customs: a proud tax gap producer

HMRC has been calculating the tax gap since 2005 and publishing "comprehensive" tax gap estimates since 2009. The tax gap is defined as 'the difference between the amount of tax that should, in theory, be paid to HMRC, and the amount that is actually paid". Over time the tax gap methodology has been refined and more granularity added to the analysis. HMRC take pride in this process and the publicity around it. "HMRC is the only revenue authority in the world that measures and publishes the tax gap in this level of detail" is the boast of the press release in 2020 announcing that the tax gap had fallen to its lowest level on record.

> The tax gap estimate has been produced by analysts working within HMRC, in line with the values, principles and protocols set out in the Code of Practice for Statistics. We use a range of internal and external data and different analytical techniques to produce annual estimates, which we revise as more accurate data becomes available.

So, this is admitted to be a dynamic process, with estimates and data constantly shifting and in need of revision. Like STA, both bottom up and top down techniques are used. HMRC also attempt to show some humility by caveating their calculations noting:

> These are our best estimates based on the information available, but there are many sources of uncertainty and potential error. For this reason, it is best to focus on the trend in the results rather than the absolute numbers when interpreting findings.

The malleability of the numbers can be seen in a statement by HMRC admitting an error in the statistics published in September 2021 resulting in an inconvenient overestimation of the Corporation Tax gap of 0.1% in the two immediately preceding years. Corrections were not reflected in the 2021 publication but are promised for the 2022 "alongside other updates HMRC make to the tax gap time series to reflect the latest data available and methodological improvements". HMRC are at pains to point out that they adhere to the Code of Practice for Statistics, while acknowledging that there are many sources of uncertainty.

A publication is released each year containing graphs and images. It is not entirely clear who the audience is for this publication, although it is consistent with HMRC's aim to be transparent about its operations. Writing in 2015, then Permanent Secretary of HMRC, Edward Troup said "If HMRC can show objectively, transparently and clearly that non-compliance is not nearly as big as people's assumptions suggest, we can increase tax morale, reinforce social norms and – cyclically – reduce the tax gap further." This number thus carries a considerable weight on its shoulders.

The House of Commons Public Accounts Committee, PAC, scrutinized the tax gap in 2020 and issued a report that suggested that HMRC were misleading in its presentation of tax gap numbers and needed to be more honest. Responding to this criticism, Jim Harra, Chief Executive and Permanent Secretary of HMRC said:

> The tax gap methodology has been extensively reviewed and given a clean bill of health by the IMF, and reviewed by the Office for Statistics Regulation [which] stated that HMRC is world leading in measuring tax gaps and is setting the bar for others to follow

In 2021 HMRC, somewhat deceptively, launched a "user survey" to "help them improve measuring tax gaps". This is not about improving how the tax gap is measured, however, but rather it is referring to the title of the annual publication. Through this survey, HMRC are hoping to better understand "how the outputs and data are used and the decisions they inform. This is important for us so we can provide a high-quality publication that meets your needs."

HMRC's 2020 publication*, Building a Trusted, Modern Tax Authority*, sets out a vision for the future that includes making it harder for people to avoid paying the tax they owe, which will "reduce the tax gap". At the time of this publication, the overall UK tax gap was at its lowest ever, 4.7%, yet HMRC aspire to reducing both the overall tax gap "and some of its largest constituent groups while lowering the cost of running the system as a whole". The tax gap number in 2020 increased to 5.3%, but the increase was not commented on, rather it is stated that it is important to look at trends, which overall are downward. What a relief, then, when the 2021 number was 5.1%, downwards again.

In response to the criticisms from the PAC, HMRC have published a "tax gap development program" outlining improvements to current estimates and development priorities for future editions. Included in the methodological change for the 2021 estimates is enhanced understanding of beer fraud and improvements to "better estimate the beer lower bound tax gap." This lower bound gap (8%) is derived from "bottom up" methods. An upper bound gap (27%) is derived from "top down" methods using national statistics. The disparity between these numbers is intriguing, but we are assured that around 20 professional analysts work on improving, producing, assuring and explaining the tax gap estimates, costing HMRC about £5m per annum.

Also in response to PAC criticism, HMRC now publish an "uncertainty" rating for each element of the tax gap. HMRC notes that estimates may differ from the "true value" and that Covid-19 has introduced additional uncertainties. In 2021 (2020 tax gap), HMRC introduced a "more systematic and transparent approach" to assessing uncertainty, assigning ratings ranging from "very low" to "very high". The 2021 beer tax gap uncertainty rating is recorded as being "medium".

So the tax gap number(s) is used to motivate greater efficiency of, and trust in, HMRC, the latter in deference to the wider governmental goal of increased transparency. Yet it is also used by others as a stick with which to berate HMRC and the government. For example, the Guardian newspaper reports in June 2022 that various experts are critical of the tax gap figures. Richard Murphy is quoted as saying the assessment is half-hearted and that a more comprehensive review would have found much higher numbers for the hidden economy. He goes on to say "The chance that just £2bn is lost a year to tax evaders, out of £635bn paid – is utterly ludicrous. That's a 0.3% evasion rate." Not for the first time Mr Murphy thus reveals misunderstanding of HMRC's tax gap numbers.

The tax gap number is also used to berate the Government for not availing itself of these funds to solve society's woes. Unchecked (2021), for example, state "The UK tax gap… stands at £35b a year. This is more than our entire annual spend on police, fire services, courts and prisons combined". The implication is that this is money that is collectable and could be made available to make the UK a better place. Yet as HMRC state "[i]t is impossible to collect every penny of tax that is owed – for example, we cannot collect outstanding tax from businesses that become insolvent."

Similarities and discrepancies calculation the tax gap

Both HMRC and the STA dissect the tax gap in three different ways.

- By "customer group" (HMRC) or "taxpayer groups" (STA): small business large business, mid-sized business, individuals. In addition, the HMRC has the group "criminals" and the new category "wealthy" added for the first time in 2020. Suggestions to include even more categorizations such as industrial sector or geographical regions are resisted by government. The STA notes that there are several taxpayer groups not included in its estimates such as deceased, emigrees, or people subject to special investigations.
- By type of tax: Income tax, national insurance contributions and capital gains tax (individuals), VAT, Corporation tax, Excise duties and other taxes.
- By behaviour: HMRC recognizes failure to take reasonable care, legal interpretation, evasion, criminal attacks, non-payment, error, hidden economy, avoidance. But it is acknowledged that the estimates are subject to uncertainty and "may not fully reflect how behaviours are changing over time".

Behaviour is possibly the most controversial of the three categorizations. The impression is given that these are clearly defined and identifiable (Gemmel & Hasseldine 2012), but they are highly subjective and overlapping. Although the tax gap is a difference in amounts, both the HMRC and the STA have used surveys in their work. HMRC has used them to develop and improve bottom-up measures, but also to raise awareness in the public about the tax gap. The STA reluctantly addresses the Ministry of Finances directive, but has changed focus from estimates of behaviour, as understood by audits, to using attitudinal surveys to develop indicators to be used method as "a sign of something" or "to make something realizable" (2021: 35). We just note that methodologically, we are very suspicious of whether responses on attitudinal surveys addressing tax non-compliance issues reflect actual behaviour (Björklund Larsen 2017b, chapter 2)?

Imaginaries made possible by the tax gap?

So how should we make sense of these elusive numbers, what purpose do they serve for the tax authorities that make them and what impact they are seen to have on society? We find the concept of imaginaries useful to describe how the STA and HMRC respectively imagine an absence of fiscal citizenship (with more or less intent) and how they fight such developments. Imaginaries may in various ways shed light on what the tax gap numbers are seen to represent.

First of all, we use imaginaries to provide an encompassing way to connect the rise of ideas about the public sphere, economy and self-governance to current practices in modern society (Taylor 2002). Charles Taylor argues that for example the declaration of rights regarding individuals can be seen as the clearest expression of our modern idea of a moral order—the ideal of order as mutual benefit. When people share the vision of a moral order it can be seen as an imaginary. "The social imaginary is not a set of ideas; rather it is what enables, through making sense of, the practices of a society" (Taylor 2002: 91). Imaginaries are thus not just about lofty idealistic ideas, but ideas that are profoundly based in social practices, and thus provide us with a way of thinking about the future, of going forward. Imaginaries are useful as they do not necessarily build on views of established social categories but on peoples' narratives and ideas expressed about practices in various ways. Imaginaries "offer a powerful deconstruction device of ideological, political, and sociocultural stereotypes and cliches" (Salazar 2012: 3). Such a message can be enforced by tax administrations that apply active, yet varying strategies, to make taxpayers comply and communicate these views to media that enforce them by writing about them.

Imaginaries provide insight into "connecting ... subjective understanding to a shared social and moral order" (Jasanoff 2015: 5). The tax gap is social in the sense that it both unites people and divides them. It creates a number around which a common discourse is possible about what good fiscal citizens we are. It creates a collective belief. But the tax gap is also technical as its calculation would not be possible without the array of digital tools, the enormous databases filled with taxpayer and other data, economic models and analytical techniques that tax administrations have at their disposal. As an imaginary the tax gap makes action possible. It says something about a current state of affairs regarding fiscal citizenship and indicates issues that ought to be addressed in order to shrink the gap.

By creating an understanding of how the present is, we can create scenarios of how we would like the future to be. "Imaginaries reveal a dynamic interplay between binaries that are too often kept analytically distinct; they build on the world as it is, but they also project futures as they ought to be" (Jasanoff 2015: 3). Applying the concept of imaginaries to STA's work with the tax gap could perhaps resonate with the administration's current strategies to increase compliance. It aims to understand taxpayers; not as static social categories, but rather as understanding their practices. How taxpayers report, pay and avoid taxes. Who the compliant taxpayers are does not necessarily build on views of established social categories but on how peoples' narratives and ideas are expressed in practice. How a "shared moral order" is imagined can also be illustrated by how in the UK, the tax gap is also used by actors critical of HMRC. Civil society organizations such as TaxWatch call for measurement of a wider range of taxpayer behavior and a wider gap – the policy gap, described as[4] what could be collected if all forms of evasion and avoidance were eliminated and all tax subsidies abolished – pushing the tax gap well beyond its limits.

Second, imaginaries can also offer a way to think critically about social practices (Appadurai 1996), as "they are unspoken schemas of interpretation, rather than explicit ideologies, building 'upon implicit understandings that underlie and make possible common practices' (Gaonkar 2002: 4)" (Salazar 2012:2). In this sense imaginaries provide an inlet to unpack culturally shared and socially transmitted representational assemblages used as meaning-making devices (Salazar 2012). In particular, we find it useful to apply a critical gaze towards issues the outcome of which we do not really understand. The STA seems very reluctant to calculate these numbers. In informal conversations with STA analysts over the years working with the assessment, we have heard several objections, yet an appropriation letter has to be followed. The caveats are many and argued throughout the reports (2014, 2017, 2021). The STA knows it stands on shaky ground methodologically, also if the tax gap numbers and percentages and evolution is taken too seriously among policy makers. Yet, it must take on this "major task" (2021: 6). Yearly.

By instead producing "indicators", a sense of direction created. The development of how people respond to questions about their own and about other's tax practices create imaginaries based on "statistically secured numbers". So we come full circle here. From calculating a tax gap number based on the correction of erroneous tax *numbers* to calculate a statistically secured number about what taxpayers *say* about their own and others' tax practices. Words about possibly delinquent practices are transformed into an assessment of numbers. HMRC say they use the tax gap to indicate trends, looking back to see how effective they have been. But it is not relied upon as the only way to monitor activities: "we also have more operational tools that use a lot more insight" says a Senior HMRC officer,[5] although these remain hidden from public view.

Third, imaginaries provide a resourceful trove to explore how actors think about the legitimacy of their own contribution and its impact on society. Connecting imaginaries to being legitimate in practice, the concept of "promissory legitimacy" (Beckert 2020) is a fruitful avenue of exploration. "Political processes gain legitimacy not only from the actually

[4] In 2019 by TaxWatch, a civil society organisation see https://www.taxwatchuk.org/wp-content/uploads/2019/09/TaxGap-briefing.pdf

[5] In evidence to the Public Accounts Committee, 2020.

achieved outcomes and from following accepted procedural rules, but also from expectations of an anticipated future that can realistically be hoped for." (Beckert 2020: 327). In this case we propose that both HMRC and the Swedish government (but not necessarily the STA) share the view that tax compliance may be increased through calculation, communication and understanding of the tax gap. Yet, they do so in different ways and with different reliance on what calculating the tax gap does. The tax gap is used to create a sense of achievement at HMRC. Of ameliorating themselves in the eyes of the public but also of being better than other countries' tax administrations. It can show that this revenue collector is going in the right direction. It is taking the lead. "We have been successful in keeping our tax gap as one of the lowest in the world", in the words of the Financial Secretary to the Treasury.[6] The imagined role the tax gap plays has changed over the years at the STA. From in 2008 when it proudly presented the *tax gap map* underlining that it showed "the knowledge of the tax gap that we have today" (2008: 1) and the gap of 133 billion was widely reported in media and used to back up all sorts of political arguments (Björklund Larsen 2017a). STA's aim was then to use the tax gap to strive for a better tax collection while making Swedish taxpayers more compliant. In 2008 it was the STA's explicit and publicly stated goal to halve the tax gap by 2012 (Skatteverket 2008: 9). Reaching the goal would show the positive developments and increased tax collecting efficiency at the STA. Yet, while improving the methods of assessing the gap it realized that the gap increased. The goal of halving the gap was thus eradicated from public communications. Instead, the Ministry of Finance has taken up the tool to govern the STA more directly. The first time around, in 2012, the STA had the courage to defy the Ministry stating the task was impossible given the changed quality of data (Björklund Larsen 2017a: 429). Its reluctance continues as it has long realized the futility of being measured in terms of closing the tax gap. The STAs reports are filled with caveats, recognition of methodological challenges, and recognizing that the total tax gap consists of errors made, intentional or not, by different actors across the various tax types.

Fourth, the increasing reliance on numbers renders the question of which numbers? The tax gap is an imagined objective number. "Strict quantification, through measurement, counting, and calculation, is among the most credible strategies for rendering nature or society objective" (Porter 1995: 74); counting holes with questionable value as noted in our opening quote from Lennon and Macartney. The veracity of HMRC's numbers is subjected to scrutiny by the National Audit Office (NAO), who acknowledge that "the true total tax gap figure is … unknown." The Public Accounts Committee of the House of Commons, whose job it is to examine value for money of government service delivery, also scrutinizes these numbers, calling witnesses from HMRC to answer questions about the NAO report. Civil society interest in HMRC's claims to be closing the tax gap brings it into the public gaze, where the commentariat probe, assess and call into question what is included and what is not. For the STA, it is duly noted that it is the government that requires the STA to assess the tax gap yearly (2021). Softening the tone and despite the many caveats described, the STA notes that there are certain advantages with the calculation and that it learns from this endeavour: transparency on the tax area increases; it can be used to better allocate resources; it raises understanding of where most tax errors exist; it gives feedback on how well strategies to

[6] In 2019 – see https://www.theyworkforyou.com/debates/?id=2019-03-04b.735.1

decrease the tax gap work as well as on the functionality of the entire tax system (2021: 8). The advantages stated are almost tautological given all the caveats noted about its calculation.

The STA has instead started to report tax gap *numbers* as a response to the appropriation directives. More specifically it develops indicators so that it can propose a direction instead of a static number. Fortunately, there are also external events such as the pandemic which gives further fuel to not being able to even secure that the direction of the indicator is going in the right way – down. If the STA produces a tax gap number as well as showing the extent to which it has changed (hopefully shrinking) it becomes a technology of precision that establish credibility and trust (Wise 1995: 9).

Yet, producing several tax gap numbers does not help communication with the public. The first number in 2007 was published with much fanfare, accompanied by press releases and making headlines in media (Björklund Larsen 2017a: 427). Nowadays, either the media is indifferent to the increasingly complicated assessment methods and has thus not reported on the last years' publication responding to requirements of the Ministry of Finance. But the tone in the press releases is subdued and seldom create headlines. Perhaps it is a reflection of STA's reluctance to be public about such unreliable number(s)?

Yet the tax gap is used. Members of the Swedish *Riksdag's* tax committee[7] said used it the gap number in different ways. It was mainly used to question the activities by the STA. Several members had it in mind when assessing new tax policy proposals and one member also referred to it in talks to the public. Yet no one questioned its' construction. The chairman of the Tax Committee noted that it is mainly of use for the Ministry of Finance. As such, that the STA must calculate the tax gap number can also be a good and preemptive counter-measure for accusations of political steering by the government. In the UK, the construction of the tax gap number is closely scrutinized by a variety of interested parties, including the National Audit Office. Yet debates in the media, and also in Parliament, continue to imagine that the number is a true depiction of real phenomena. In the House of Lords in 2022, Lord Sikka expressed concern about HMRC's methodology for tax gap estimation and notes that it does not include profit shifting: "can we have a more meaningful number for the tax gap, please?"[8]. Another Lords member notes that 'HMRC appears to be absolutely fixated on it".

Concluding remarks

The public sphere is made of people who share common experiences and morale: a common culture. We argue that a forceful shared social experience is taxation. A common shared moral order is that all should contribute, that all should comply and that we trust the government and its institutions. That tax administrations' work to shrink the tax gap is supposed to increase the trust in their work: to make taxpayers pay "the correct tax"; by identifying any collection lacunas; and showing their integrity and efficiency. The tax gap

[7] All members were asked in an email about their usage of the tax gap. Only a handful responded and said to use it in debates and sometimes in presentations.

[8] House of Lords 2022 Volume 820. Note, as clarified by Baroness Penn, some forms of base erosion and profit shifting are included but not those that cannot be addressed under UK law.

numbers also enable comparisons and even encourage competition between EU member states.

Applying an imaginaries' critical gaze makes it possible to develop a broader understanding of the place, role and notion of the tax gap in society – as well as observing its flaws. A more tax compliant world is imagined through the calculation, communication and understanding of the tax gap. Communicating a tax gap number can thus serve many purposes: explain and reassure but also, confuse and distort various actors in the tax arena. Due to the complexity of taxation, there are many assessments and perceptions of who does not pay and how much is missing. That the tax gap can be used to illustrate these various dimensions makes it very agile, but as we have seen also provides a very simplified version of tax administration success in their work. HMRC proudly presents its success in taming and reducing the tax gap. This however fuels the politicized public commentary that is highly critical of tax policy and the way it is administered by HMRC. The response is to develop new methodologies and more granular analyses. The situation in Sweden is different and the STA is very well aware of the number's flaws. Although the STA is required to produce a tax gap for the government, it avoids publishing one specific amount. This makes the public discourse around the estimated missing tax income, and thus the STA fiscal capabilities, much quieter comparatively. Searching the media following the last publication of the tax gap number provided a very repetitive reading more or less just quoting the STAs press release.[9] Gone were the heated debates among varieties of opinion makers, newspaper editorials and policymakers emphasizing warnings towards identified groups of non-compliant taxpayers, comparisons with other countries or moral reasonings justifying other welfare expenditures (Björklund Larsen 2017a). The new indicators lacked news worthiness and political clout and made the tax gap becoming an internal affair between the Swedish finance ministry and the STA.

Importantly, our analysis calls into question the attempt to diffuse tax gap calculations across nations, for example by the OECD Forum on Tax Administration. We show how two modern democracies have followed quite different paths in their attempt to measure an absence of fiscal citizenship.

Imaginaries draw on the past but point to the future yet are applied in the present. By using imaginaries, we have aimed to unpack this once upon a time persuasive number. It is seen to represent what we find problematic with contemporary taxation issues: a heavy reliance on unreliable numbers, and in the case of Sweden, an increased usage of attitudinal survey data aiming to produce a very simplified understanding of the complex reality that taxation is.

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9 I was able to find 11 different newspapers across Sweden noting the publication

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The Fiscal Citizenship Project

Taxation is necessary to the proper functioning of the modern welfare state and payment of taxes can be thought of as a unifying act that brings us together to further our collective goals. Taxes touch our lives in many ways and our willingness to contribute through paying taxes, understood in our project as "fiscal citizenship", is complicated. Our comparative project addresses this important issue in a study that seeks to deepen our understanding of fiscal citizenship drawing on a variety of research methods and disciplinary traditions.

Funders

The Fiscal Citizenship Project is funded by three funding bodies under the auspices of the Open Research Area programme:

Social Sciences and Humanities Research Council of Canada / Conseil de recherches en sciences humaines du Canada — Canada	Social Sciences and Humanities Research Council (SSHRC) Grant No 2004-2020-0008
DFG Deutsche Forschungsgemeinschaft — German Research Foundation	German Research Foundation (DFG) Project ID 440793159
UKRI Economic and Social Research Council	Economic and Social Research Council (ESRC) Grant Ref ES/V013572/1

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ISSN 2976-5358