Canada Revenue Agency Agence du revenu du Canada

Taxpayer Attitudinal Segmentation Research 2018/2019

Final Report

Prepared for Canada Revenue Agency

Ce rapport est aussi disponible en français.

Canada

Taxpayer Attitudinal Segmentation Research 2018/2019

Final Report

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Executive Summary

Canada Revenue Agency (CRA) is planning to develop new communications and marketing initiatives with the goal of improving voluntary tax compliance among Canadians. To support these initiatives, CRA commissioned Phoenix Strategic Perspectives Inc. (Phoenix SPI) to conduct a 16-minute random digit dialling (RDD) telephone survey with 3,001 Canadians 18 years of age and older between January 15 and February 8, 2019. Based on a sample of this size, the overall findings can be considered accurate to within ±2.1%, 19 times out of 20 (adjusted to account for sample stratification). This research was first conducted in 2010-2011. The purpose of year's research was to assess how, if at all, Canadians' attitudes and behaviour towards tax compliance have changed over time. CRA intends to use the research findings to help develop communications and marketing initiatives aimed at improving voluntary tax compliance.

Key findings of the research include:

- *Canadians' general views on the fairness of taxes are more positive in 2019 than they were in 2011.* Fewer Canadians believe that they pay more than their fair share of taxes (55%; compared to 61% in 2011) and that Canadians pay too much in taxes (54%; compared 58%). In addition, this year, more Canadians agreed that the taxes they are required to pay are fair (45%) than in 2011 (34%).

- *Wealthy Canadians and businesses are not seen to be paying their fair share of taxes.* Smaller, and similar-sized, proportions believe that wealthy Canadians (28%) and corporations (27%) pay their fair share of taxes.

- *Most Canadians continue to take their tax responsibilities seriously.* Nearly nine in 10 (88%) agreed that paying taxes is a responsibility that should be willingly accepted by all Canadians and 85% agreed that it is their responsibility to pay their fair share of taxes.

- *Seven in 10 Canadians do <u>not</u> think it's OK to be paid in cash to avoid paying taxes.* Among those who think accepting cash payments to avoid paying taxes in OK at least some of the time, one in four put threshold for at less than $1,000 unclaimed income.

- *Canadians view tax cheating as criminal and unacceptable, regardless of the amount.* Strong majorities disagreed that it is OK for them to not declare income received under the table on their tax return (76%), that tax cheating is not a real crime (78%), and that a small amount of tax cheating is not so bad (81%).

- *Most recognize at least some of the impacts of tax cheating.* Respondents were most likely to agree that if they cheat on their taxes there will be less money for government services (76%) and that taxes help governments do worthwhile things (70%).

- *Government-focused rationalizations about tax cheating continue to resonate.* Consistent with the findings from 2011, the rationalizations that focus on perceived government deficiencies resonated more than the other potential reasons for why it might be acceptable to cheat.

- *Shame and impact on reputation main concern for Canadians.* Large majorities of Canadians would feel ashamed to get caught cheating on taxes (83%) and think that if a company got caught tax cheating, it would have an impact on its reputation (80%). Opinion was divided as to whether most people who cheat on their taxes will eventually be caught.

- *Canadians' values and behaviours continue to be a good fit with the segments developed in 2011.*
    - ○ Of the six segments, the two largest segments—*law abiders* and *altruistic compliers*—continue to represent almost half the population and are low-risk in terms of their propensity to cheat on their taxes. In communications terms, there is likely very little need to "preach to the converted" and target these segments with compliance messages.
    - ○ Only a relatively small proportion of Canadians (*outlaws* at 13%) is very likely to cheat on taxes. Their attitudes and behaviours suggest that they can be expected to be resistant to messaging that attempts to change attitudes or behaviours vis-à-vis tax compliance.
    - ○ The three middle segments continue to be of the greatest interest for targeted communications and interventions. *Rationalizers*, *underground economists*, and *over-taxed opportunists* are more of a risk to cheat on their taxes than *law abiders* and *altruistic compliers*, but their attitudes and values are not as firmly entrenched as *outlaws*.

The contract value was $159,253.05 (including HST).

I hereby certify as a Senior Officer of Phoenix SPI that the deliverables fully comply with the Government of Canada political neutrality requirements outlined in the *Communications Policy* of the Government of Canada and Procedures for Planning and Contracting Public Opinion Research. Specifically, the deliverables do not contain any reference to electoral voting intentions, political party preferences, standings with the electorate, or ratings of the performance of a political party or its leader.

Alethea Woods
President
Phoenix Strategic Perspectives Inc.

Introduction

Canada Revenue Agency commissioned Phoenix Strategic Perspectives Inc. (Phoenix SPI) to conduct a telephone survey of taxpayers to better understand what motivates Canadians towards compliant and non-compliant behaviour.

1. Background and Objectives

Canada Revenue Agency is planning to develop new communications and marketing initiatives with the goal of improving voluntary tax compliance among Canadians. To support these initiatives, CRA conducted a public opinion study in 2010-2011 to better understand what motivates Canadians towards compliant and non-compliant behaviour. The 2018-2019 was designed to explore how, if at all, attitudes and behaviour towards tax compliance have changed since the original research findings.

The specific objectives of this study were to:

- segment the Canadian population by their general orientations towards compliance regarding taxation;
- uncover what motivates Canadians to pay, or to not pay taxes (from a social/values-based perspective);
- examine those motivators and influencers;
- determine how Canadians view tax cheating and tax avoidance;
- explore Canadians':
  - feelings and perspectives on tax cheating and tax avoidance;
  - perceptions of the value of benefits and services received as a result of tax compliance;
  - feelings about getting caught for tax cheating;
  - feelings towards others who cheat; and
  - perceptions of the role of government in promoting the social benefits of tax compliance.

CRA intends to use the data in the following ways: 1) to help develop communications and marketing initiatives aimed at improving voluntary tax compliance by appealing to the social/cultural benefits of compliance; 2) in the development of messaging for taxpayers based on compliance behaviours and attitudes of segments of the Canadian population, and in assisting in the development of targeted enforcement and service strategies; and 3) to improve and design T1 programs that serve to best meet the needs of Canadians.

2. Methodology

A 16-minute random digit dialling (RDD) telephone survey was conducted with Canadians 18 years of age and older, who had lived in Canada for at least one year (at the time of the research). A regionally-disproportionate sample of Canadian residents was used to improve the accuracy of regional results. The sample frame included both landline and cellphone numbers. In total, 3,001 Canadians were surveyed between January 15 and February 8, 2019. Based on a sample of this size, the overall findings can be considered accurate to within ±2.1%, 19 times out of 20 (adjusted to account for sample stratification[1]). More

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[11] The standard margin of error calculation is based on a simple random sample wherein sampling is geographically proportional to ensure that all members of the population have an equal chance of being

information on the methodology can be found in the Appendix: Technical Specifications of Research.

3. Note to Readers

- All results in the report are expressed as percentages, unless otherwise noted. Percentages may not always add to 100% due to rounding or multiple mentions.

- The number of respondents changes throughout the report because questions were often asked of sub-samples of the survey population. Accordingly, readers should be aware of this and exercise caution when interpreting results based on smaller numbers of respondents.

- The baseline survey was conducted in 2011; where relevant, reference is made to these results, the methodology, or both.

- The questionnaire is appended to the report.

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sampled. Since this sample was not regionally proportional, the margin of error calculation needed to be adjusted to reflect this.

Detailed Findings

1. Topline Results

Views on the fairness of taxes are more positive than they were in 2011

Using a 10-point scale (1=strongly disagree, 10=strongly agree)[2] respondents were asked to express their level of agreement with a number of statements focusing on the fairness of taxation in Canada.

Over half of respondents believe that they pay more than their fair share of taxes (55%; down from 61% in 2011) and that Canadians pay too much in taxes (54%; down from 58% in 2011). Conversely, more than four in 10 (45%) agreed that the taxes they are required to pay are fair. This represents a significant increase since 2011, when only one-third (34%) agreed that the taxes they are required to pay are fair.

Figure 1: Perceived fairness of taxes
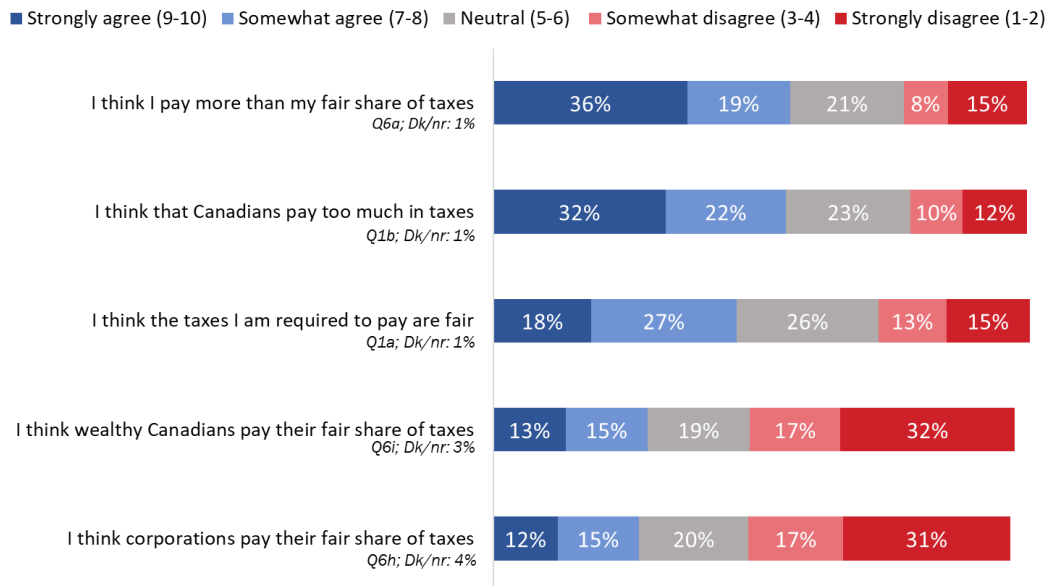
Legend: ■ Strongly agree (9-10) ■ Somewhat agree (7-8) ■ Neutral (5-6) ■ Somewhat disagree (3-4) ■ Strongly disagree (1-2)

Statement	Strongly agree (9-10)	Somewhat agree (7-8)	Neutral (5-6)	Somewhat disagree (3-4)	Strongly disagree (1-2)
I think I pay more than my fair share of taxes (Q6a; Dk/nr: 1%)	36%	19%	21%	8%	15%
I think that Canadians pay too much in taxes (Q1b; Dk/nr: 1%)	32%	22%	23%	10%	12%
I think the taxes I am required to pay are fair (Q1a; Dk/nr: 1%)	18%	27%	26%	13%	15%
I think wealthy Canadians pay their fair share of taxes (Q6i; Dk/nr: 3%)	13%	15%	19%	17%	32%
I think corporations pay their fair share of taxes (Q6h; Dk/nr: 4%)	12%	15%	20%	17%	31%

Q1/Q6. Please tell me the extent to which you agree or disagree with each of the following statements using a scale of one to 10, where one means strongly disagree, 10 means strongly agree. If something does not apply to you, please say so. Base: n=3,001; all respondents.

Smaller, and similar-sized, proportions believe that wealthy Canadians (28%) and corporations (27%) pay their fair share of taxes. In contrast, nearly half disagreed with both statements (49% and 48%, respectively) and disagreement was more likely to be strong than moderate. In fact, the single largest proportion of respondents expressed strong disagreement with both of these statements.

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[2] Unless otherwise specified in the text or graph, all numeric scale questions are based on a 10-point rating scale which has been aggregated for reporting purposes as follows: scores of 9-10 (strongly agree), 7-8 (somewhat agree), 5-6 (neutral), 3-4 (somewhat disagree), and 1-2 (strongly disagree).

Majority accept tax-related responsibilities

Most Canadians appear to take their tax responsibilities seriously. Nearly nine in 10 (88%) agreed that paying taxes is a responsibility that should be willingly accepted by all Canadians, with 70% saying they *strongly* agree with this view. Similarly, 85% agreed that it is their responsibility to pay their fair share of taxes, with 65% saying they *strongly* agree. Those who did not agree were more likely to be neutral than to disagree with either statements.

Figure 2: Perceptions of tax-related responsibilities
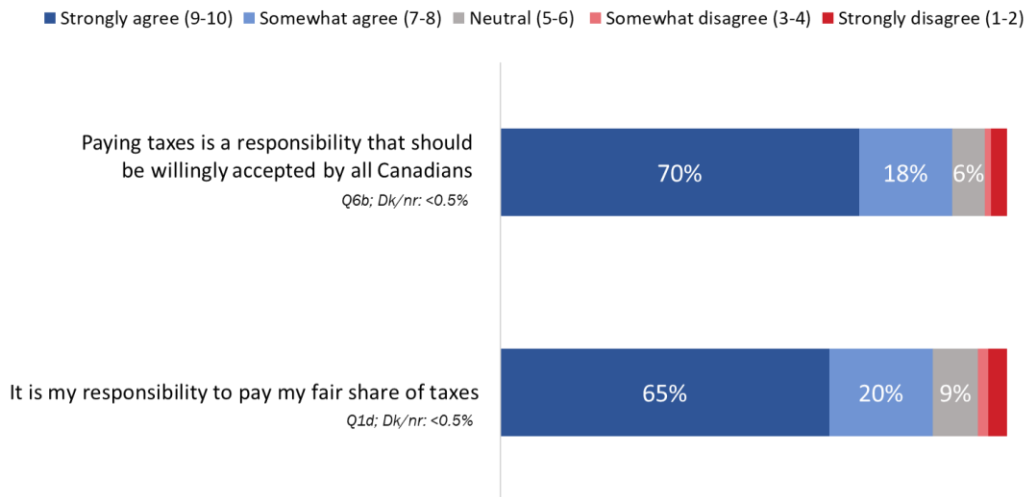
Q1/Q6. Please tell me the extent to which you agree or disagree with each of the following statements using a scale of one to 10, where one means strongly disagree, 10 means strongly agree. If something does not apply to you, please say so. Base: n=3,001; all respondents.

Views on tax-related responsibilities have not changed since 2011, when 87% agreed that paying taxes is a responsibility that should be willingly accepted by all Canadians and 85% felt it is their responsibility to pay their fair share of taxes.

Canadians more likely to pay and accept cash to avoid paying taxes in the future

Respondents were asked how likely they would be to do each of the following in the future:

- Pay cash for a service such as a home improvement or car repair to get a cheaper price by not paying tax.
- Work for cash to avoid paying income tax.
- Knowingly not declare some income on your tax return.
- Sell things you made, or services you offer, without reporting the income.

Two-thirds or more said they would be not very or not at all likely to engage in any of these activities.

Figure 3: Likelihood of Tax Cheating in the Future

■ Very likely ■ Somewhat likely ■ Not very likely ■ Not at all likely

Pay cash for a service to get a cheaper price by not paying tax	11%	23%	25%	40%
Sell things you made, or services you offer, without reporting the income	5%	9%	22%	60%
Work for cash to avoid paying income tax	5%	9%	23%	62%
Knowingly not declare some income on your tax return	2%	3%	18%	76%
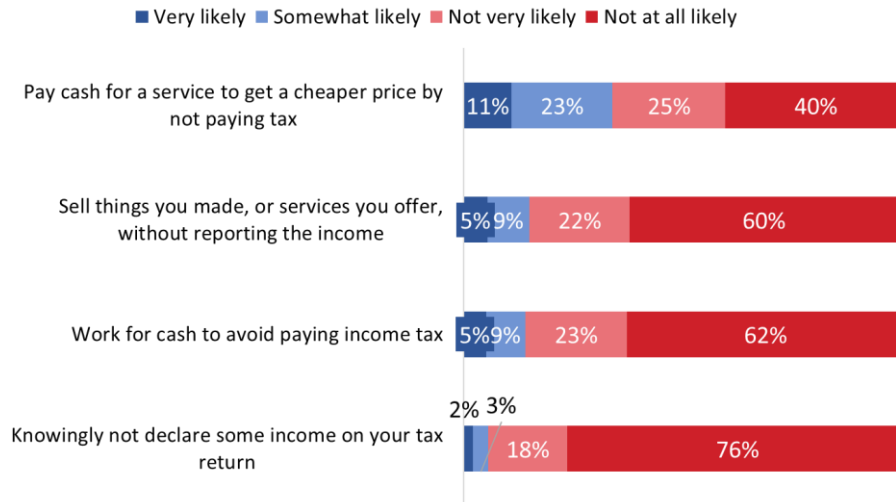
Q3 In the future, how likely would you be to do each of the following? How about…?. Base: n=3,001; all respondents. [Dk/nr: <0% - 1%]. [Q3d: Does not apply: 3%]

Paying cash for a service to get a cheaper price by not paying tax was the only activity in which a substantial proportion acknowledged that they might do. One-third said they are very (11%) or somewhat (23%) likely to do this. Significantly fewer (14% each) said they are likely to sell things without reporting the income or to work for cash to avoid paying income tax. Few (5%) think it is likely that they would knowingly not declare some income on their tax return. These results are virtually identical to 2011.

Canadians think it is <u>not</u> OK to be paid in cash to avoid paying taxes

Seven in 10 (71%) respondents said it is not OK for self-employed Canadians to be paid in cash for some of the work they do in order to avoid paying taxes on that income. Conversely, one-quarter think it is OK to do so (14%) or to do so sometimes (11%).

Figure 4: Accepting cash payments to avoid paying taxes

Sometimes it's OK
11%

It's OK
14%

71%
say it is NOT OK
to be paid in cash
to avoid paying taxes
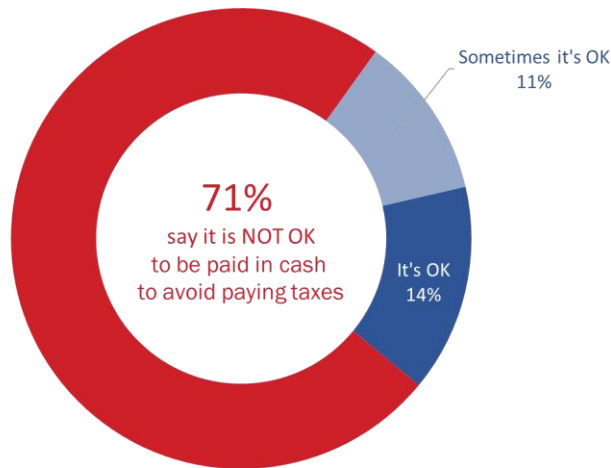
Q4. Is it OK for a self-employed Canadian to be paid in cash for some of the work they do in order to avoid paying taxes on that income? Base: n=3,001; all respondents. [Dk/nr: 4%].

One in four put threshold for tax cheating at less than $1,000 unclaimed income

Respondents who thought it was OK for self-employed Canadians to accept cash payments to avoid paying taxes (n=874) were asked at what point it becomes serious tax cheating. The largest single proportion, just over one-quarter, set the threshold at less than $1,000, but almost as many (23%) set it between $1,000 and $5,000. Seventeen percent think that not claiming up to $10,000 is considered tax cheating, and an almost identical proportion (18%) think that not claiming more than $10,000 is considered tax cheating.

Figure 5: Unclaimed cash income and tax cheating

Unclaimed cash income becomes serious tax cheating when it's...
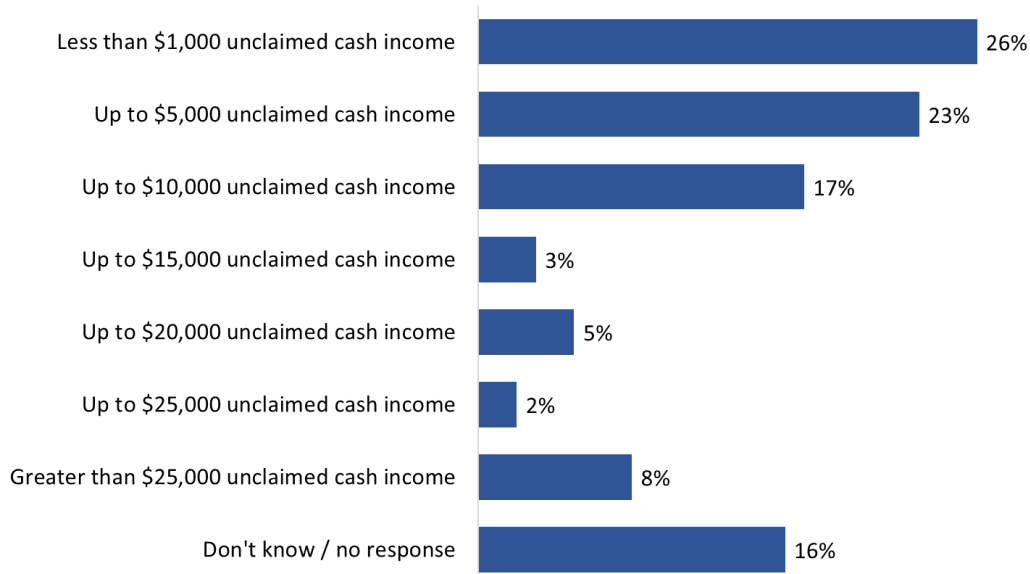
Q5. At what point would you say not claiming a year's worth of cash income becomes serious tax cheating? Base: n=874; respondents who think it is OK to be paid in cash to avoid paying taxes on income.

Canadians view tax cheating as criminal and unacceptable, regardless of the amount

Views were mixed when it came to other peoples' perceptions of whether it is acceptable to cheat on taxes. When asked to agree or disagree with the statement—*a lot of people think it's ok to cheat on taxes*—relatively similar proportions agreed (34%), disagreed (32%), or were neutral (30%). The same was true when it came to whether Canadians who collect tips should report them as income and pay taxes. While 45% agreed that tips should be reported as income, the largest proportion was neutral (20%) or disagreed (36%) on this issue.

In contrast, strong majorities expressed disagreement with statements related to their own perceptions of tax cheating. This included disagreeing that it is OK for them to not declare income received under the table on their tax return (76%), that tax cheating is not a real crime (78%), and that a small amount of tax cheating is not so bad (81%).

Figure 6: Perceptions of tax cheating
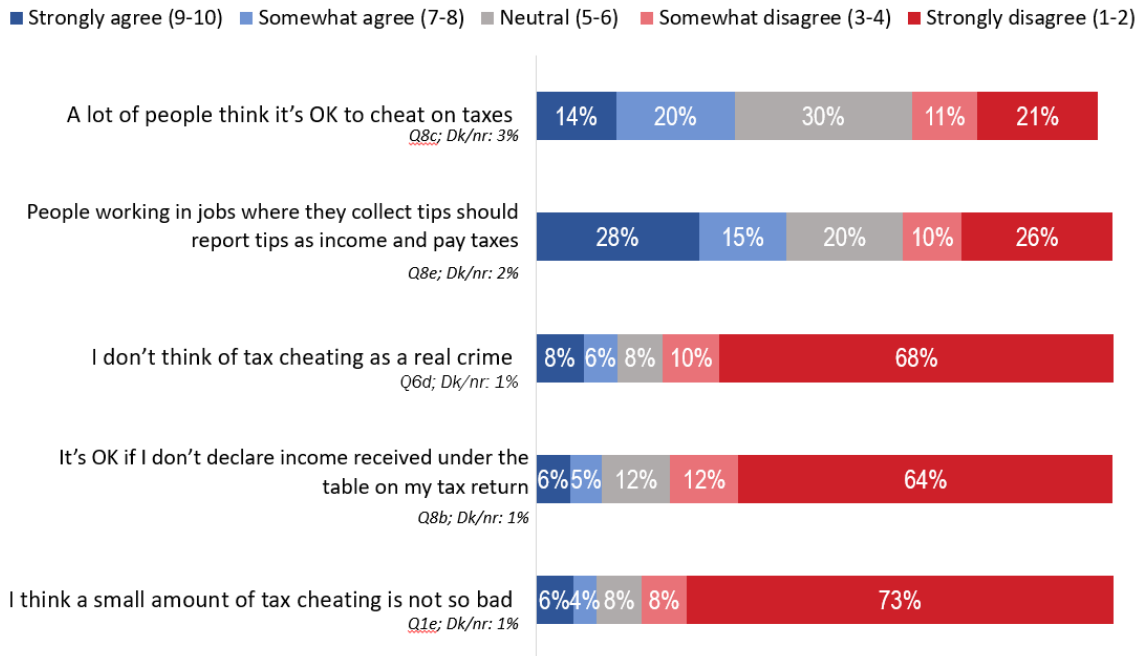
■ Strongly agree (9-10) ■ Somewhat agree (7-8) ■ Neutral (5-6) ■ Somewhat disagree (3-4) ■ Strongly disagree (1-2)

Statement	Strongly agree	Somewhat agree	Neutral	Somewhat disagree	Strongly disagree
A lot of people think it's OK to cheat on taxes *(Q8c; Dk/nr: 3%)*	14%	20%	30%	11%	21%
People working in jobs where they collect tips should report tips as income and pay taxes *(Q8e; Dk/nr: 2%)*	28%	15%	20%	10%	26%
I don't think of tax cheating as a real crime *(Q6d; Dk/nr: 1%)*	8%	6%	8%	10%	68%
It's OK if I don't declare income received under the table on my tax return *(Q8b; Dk/nr: 1%)*	6%	5%	12%	12%	64%
I think a small amount of tax cheating is not so bad *(Q1e; Dk/nr: 1%)*	6%	4%	8%	8%	73%

Q1/6/8. Please tell me the extent to which you agree or disagree with each of the following statements using a scale of one to 10, where one means strongly disagree, 10 means strongly agree. If something does not apply to you, please say so. Base: n=3,001; all respondents.

Compared to 2011, Canadians continue to have relatively varied perceptions of tax cheating. That said, the proportion of Canadians who believe that other people think it is OK to cheat on taxes has declined, from 40% in 2011 to 34% this year. In addition, this year, greater proportions of Canadians disagreed that it is OK to not declare income received under the table and that tax cheating is not a real crime has increased (76% versus 72% in 2011 and 78% versus 73% in 2011, respectively).

Most recognize the impacts of tax cheating

Respondents were most likely to agree that if they cheat on their taxes there will be less money for government services like healthcare and education. Just over three-quarters (76%) agreed with this, including 56% who agreed strongly. Almost as many (70%) agreed that taxes help governments do worthwhile things.

The level of agreement with the other statement was much lower. Almost half (49%) agreed that if their neighbours cheat on their taxes it would require them to pay more taxes. In contrast, 31% disagreed that they would be required to pay more taxes if their neighbours cheated.

Figure 7: Impact of tax cheating

■ Strongly agree (9-10) ■ Somewhat agree (7-8) ■ Neutral (5-6) ■ Somewhat disagree (3-4) ■ Strongly disagree (1-2)
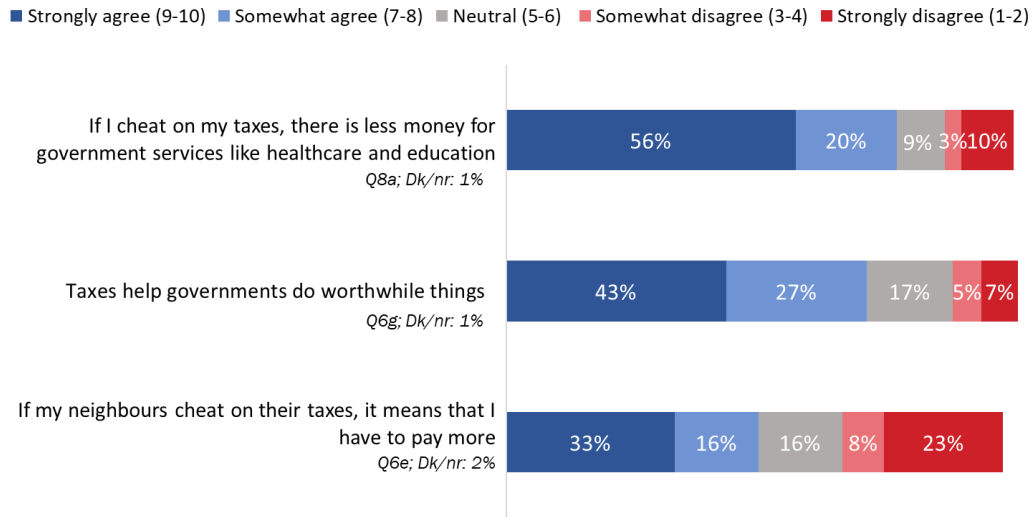
Q6/8. Please tell me the extent to which you agree or disagree with each of the following statements using a scale of one to 10, where one means strongly disagree, 10 means strongly agree. Base: n=3,001; all respondents.

This year, more Canadians agreed that taxes help governments do worthwhile things (70%; up from 66% in 2011) and fewer felt that neighbours' tax cheating would affect them (49%; down from 53% in 2011).

Government-focused rationalizations about tax cheating continue to resonate

Respondents were asked to express their level of agreement with a set of reasons why some people might think it's okay to cheat on taxes.

As the accompanying graph shows, over three-quarters of respondents disagreed with each of these rationalizations, including at least two-thirds who expressed strong disagreement. Specifically, respondents were most likely to disagree that it's OK to cheat on taxes because there are plenty of other people paying their taxes (93%) and that it's OK to do so because lots of people do it (92%).

Identical majorities (81% each) disagreed that it is OK to cheat on taxes because rich people and big companies get away with avoiding taxes, and because governments don't provide enough services for the taxes they collect. Almost as many (79%) disagreed that it is OK to cheat on taxes since governments waste taxpayers' money.

Figure 8: Tax cheating rationalizations

■ Strongly agree (9-10) ■ Somewhat agree (7-8) ■ Neutral (5-6) ■ Somewhat disagree (3-4) ■ Strongly disagree (1-2)

It's OK to cheat on taxes because...

… rich people and big companies get away with avoiding taxes
| 6% | 4% | 8% | 12% | 69% |

… there are plenty of other people paying their taxes
1% / 3%
| 2% | 7% | 86% |

… lots of people do it
1% 4%
| 2% | 7% | 85% |

It's OK to cheat on taxes since governments...

… waste taxpayers' money
| 6% | 5% | 10% | 13% | 66% |

… don't provide enough services for the taxes they collect
| 4% | 5% | 8% | 13% | 68% |

Q7. Here are a few reasons some people might give to explain why they think it's OK to cheat on taxes. Please use the same scale of one to 10, where one means strongly disagree, 10 means strongly agree. Base: n=3,001; all respondents.

Consistent with the findings from 2011, the rationalizations that focus on perceived government deficiencies resonated more than the other potential reasons. With that said, the proportion of Canadians agreeing with these rationalizations has declined over time. In 2011, 15% agreed that it's okay to cheat because governments waste taxpayers' money compared to 11% in 2019, and 11% agreed that it's okay to cheat because governments don't provide enough services compared to 9% in 2019.

Shame and impact on reputation main concern for Canadians

Large majorities of Canadians would feel ashamed to get caught cheating on taxes (83%) and think that if a company got caught tax cheating, it would have an impact on its reputation (80%). Views in this regard are virtually unchanged from 2011 when the same proportion of Canadians, 83%, agreed they would feel ashamed if caught tax cheating and 82% agreed that tax cheating would affect the reputation of a company.

Opinion was divided as to whether most people who cheat on their taxes will eventually be caught. While half (51%) agreed with this, one in five (20%) were neutral, and one in four (26%) did not agree that tax cheaters would eventually be caught. Confidence in tax evasion being detected has declined since 2011, when 58% of Canadians agreed that most tax cheaters would eventually be caught.

One in five (20%) Canadians agreed that money saved by cheating on taxes is worth the risk of fines and jail time. Conversely, the majority, 74%, did not agree, with 70% expressing strong disagreement (as was the case in 2011). The risk of fines and jail time continue to resonate with Canadians as tax cheating deterrents.

Figure 9: Perceptions of penalties and getting caught
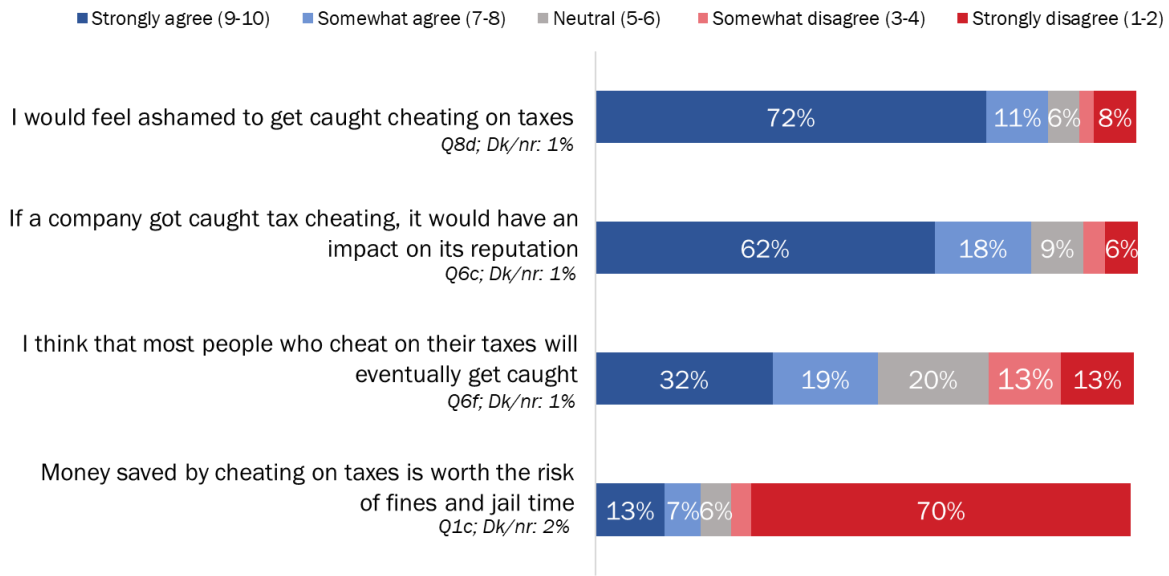
■ Strongly agree (9-10) ■ Somewhat agree (7-8) ■ Neutral (5-6) ■ Somewhat disagree (3-4) ■ Strongly disagree (1-2)

I would feel ashamed to get caught cheating on taxes
Q8d; Dk/nr: 1%
72% | 11% 6% 8%

If a company got caught tax cheating, it would have an impact on its reputation
Q6c; Dk/nr: 1%
62% | 18% 9% 6%

I think that most people who cheat on their taxes will eventually get caught
Q6f; Dk/nr: 1%
32% | 19% | 20% | 13% | 13%

Money saved by cheating on taxes is worth the risk of fines and jail time
Q1c; Dk/nr: 2%
13% 7% 6% | 70%

Q1/6/8. Please tell me the extent to which you agree or disagree with each of the following statements using a scale of one to 10, where one means strongly disagree, 10 means strongly agree. If something does not apply to you, please say so. Base: n=3,001; all respondents.

Penalties and education are perceived as effective potential government actions

Using a 10-point scale (1=not at all effective; 10=extremely effective) respondents were asked to assess the effectiveness of the following potential government actions to reduce tax cheating:

- Better informing Canadians of the penalties for tax cheating.
- Increasing the use of audits and penalties.
- Publishing the names of people caught tax cheating.
- Increasing fines or jail time for tax cheating.
- Educating people earlier about their tax obligations, such as students or newcomers to Canada.
- Catching more wealthy people and companies that cheat on their taxes
- Publishing the names of businesses caught tax cheating.

A majority of respondents rated each of these measures as effective, but the size of the majority varied considerably. Canadians were most likely to agree on the effectiveness of catching more wealthy people and companies that cheat on their taxes (81%), educating people earlier about their tax obligations (80%), and publishing the names of businesses caught tax cheating (77%), with majorities rating each of these as *extremely* effective.

Approximately six in 10 Canadians agreed on the effectiveness of better informing Canadians of the penalties for tax cheating (62%), increasing fines or jail time for tax cheating (61%), and increasing the use of audits and penalties for tax cheating (61%). Fewer, but still a majority of 54%, think that publishing the names of people caught tax cheating would be an effective measure to reduce tax cheating (just over one-quarter, 26%, disagreed).

Figure 10: Effectiveness of Potential Government Actions

■ Extremely effective (9-10) ■ Very (7-8) ■ Moderately (5-6) ■ Slightly (3-4) ■ Not effective at all (1-2)

Catching more wealthy people and companies that tax cheat	57%	24%	12%	3% 3%
Educating people earlier about their tax obligations	56%	24%	12%	4% 3%
Publishing the names of businesses caught tax cheating	54%	23%	12%	4% 6%
Better informing Canadians of the penalties for tax cheating	33%	29%	22%	7% 9%
Increasing fines or jail time for tax cheating	34%	27%	21%	7% 8%
Increasing the use of audits and penalties	27%	34%	23%	7% 7%
Publishing the names of people caught tax cheating	32%	22%	19%	8% 18%

Q10. How effective do you think the following potential government actions would be in terms of reducing tax cheating? Please use a scale of one to 10, where one means you think it would not be effective at all and 10 means you think it would be extremely effective. How about…? Base: n=3,001; all respondents. [Dk/nr: 1%]

With two exceptions, Canadians' views on potential government actions have not changed in significant ways since 2011. The exceptions relate to the perceived effectiveness of potential penalties. Fewer Canadians believe that publishing the names of people caught tax cheating will be effective (54% versus 61% in 2011) and slightly more feel that publishing the names of businesses caught tax cheating (77% versus 74% in 2011) will help reduce tax cheating.

Appealing to one's sense of responsibility and fear of financial penalties are top motivators to encourage tax compliance

Using a 10-point scale (1=not a motivator at all; 10=a very big motivator), respondents were asked to what extent each of the following would motivate them personally to pay their full share of taxes:

- Understanding the responsibility I have as a Canadian to pay taxes.
- Concern about the impact on my reputation if I'm caught cheating on taxes.
- Seeing how government services I use might be impacted if there is more tax cheating.
- Fear of embarrassing my family and friends.
- Fear of having to pay heavy penalties.
- Because it is the law, and I won't break the law.
- Knowing that wealthy people and big companies are paying their fair share.

A majority of respondents assessed each of these as at least moderately effective as a motivator to pay their full share of taxes. Leading the way were understanding their responsibility as a Canadian to pay taxes (83%), upholding the law (81%), and having to pay heavy penalties (79%). Majorities viewed each of this as big motivators to pay one's taxes.

Figure 11: Motivators to Pay Taxes

■ Big (9-10) ■ Moderate (7-8) ■ Some (5-6) ■ Not much (3-4) ■ Not at all (1-2)

	Big (9-10)	Moderate (7-8)	Some (5-6)	Not much (3-4)	Not at all (1-2)
Understanding the responsibility I have as a Canadian to pay taxes	58%	25%	11%	3%	4%
Because it is the law, and I won't break the law	62%	19%	10%	4%	5%
Fear of having to pay heavy penalties	54%	25%	11%	4%	6%
Seeing how government services I use might be impacted if there is more tax cheating	49%	24%	13%	5%	8%
Concern about the impact on my reputation if I'm caught cheating on taxes	40%	29%	18%	5%	6%
Fear of embarrassing my family and friends	42%	23%	16%	6%	12%
Knowing that wealthy people and big companies are paying their fair share	37%	23%	18%	6%	14%

Q11 There are a number of things that might motivate or encourage people to pay their full share of taxes. Please rate each of the following in terms of how big a motivator it is to you personally, using a scale of one to 10, where one means it is not a motivator at all, and 10 means it is a very big motivator. Base: n=3,001; all respondents. [Dk/nr: <0.5% - 2%].

Smaller proportions rated the other potential motivators as moderately or extremely effective: seeing how government services that they use might be impacted (73%), concern about the impact on their reputation if caught tax cheating (69%), fear of embarrassing family and friends (65%) and knowing wealthy people and big companies are paying their fair share of taxes (60%).

In 2019, more Canadians view as effective motivators the following: understanding their responsibility as a Canadian to pay taxes (83% versus 78% in 2011), seeing how government services might be impacted by tax cheating (73% versus 68%), and fear of having to pay heavy penalties (79% versus 76%).

2. Taxpayer Segmentation

There were several components to the segmentation analysis: the factor analysis, the cluster analysis and a regression analysis. A detailed discussion of the methods can be found in the Appendix: Technical Specifications of Research. What follows in this section is a description of the factors, including how they have changed over time, and a discussion of the taxpayer segments.

The Factors

A wide variety of items were included in the questionnaire to explore Canadians' attitudes about paying taxes, tax cheating, and related issues. In order to synthesize the large amount of information and present it in a cohesive and comprehensible way, a factor analysis was performed. A factor analysis is a technique used to group together a large number of questions into similar themes or "factors".

Since the segments were first created in 2011, and a primary objective of this year's survey was to explore how, if at all, the segments have changed, the factors were constructed to be mirror the 11 that provided the foundation for the first segmentation. What follows below is a description of the factors, as well as a brief summary of how they have changed since 2011.

1. Rationalization: This factor contains various rationalizations on why some people might think it is acceptable to cheat on taxes.

    - It's OK to cheat on taxes because lots of people do it.
    - It's OK to cheat on taxes since governments don't provide enough services for the taxes they collect.
    - It's OK to cheat on taxes since governments waste taxpayers' money.
    - It's OK to cheat on taxes because there are plenty of other people paying their taxes.

2. No Big Deal: The variables included in this factor all suggest that tax cheating is not a big deal.

    - Money saved by cheating on taxes is worth the risk of fines and jail time.
    - I think a small amount of tax cheating is not so bad.
    - I don't think of tax cheating as a real crime.
    - It's OK if I don't declare income received under the table on my tax return.

3. Consequences: The focus here is on the potential consequences of tax cheating.[3]

    - If my neighbours cheat on their taxes, it means that I have to pay more.
    - If I cheat on my taxes, there is less money for government services like healthcare and education.*
    - I would feel ashamed to get caught cheating on taxes.

4. Responsible Behaviour: This factor summarizes perceptions in the area of responsible citizenship as it relates to taxes. [4]

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[3] This factor was modified with the removal of one variable (*If I cheat on taxes, other Canadians have to pay more*) and the reformulation of another (marked with an asterisk).

[4] This factor was modified with the removal of one variable (*It's not just important to pay what you owe in taxes, it's important to pay on time.*)

- Paying taxes is a responsibility that should be willingly accepted by all Canadians.
- It is my responsibility to pay my fair share of taxes.
- Taxes help governments do worthwhile things.

5. Risky Business: This factor focuses on the likelihood of getting caught if one is cheating on their taxes.[5]

    - I think that most people who cheat on their taxes will eventually get caught.

6. Tax Fatigue: The focus is on the level of taxation in Canada, in particular its perceived fairness.

    - I think the taxes I am required to pay are fair.
    - I think that Canadians pay too much in taxes.
    - I think I pay more than my fair share of taxes.

7. The Others: The focus here is 'other' people rationalizing tax cheating.[6]

    - A lot of people think it's OK to cheat on taxes.

8. Traditionalism: The focus of this factor is on perspectives associated with traditional values.[7]

    - It is important to me to be an honest, law-abiding person.
    - When I get what I want, it's usually because I worked hard for it.

9. Elitism: The variables in this factor can generally be grouped as elitist attitudes and beliefs:

    - I feel it is important to have a lot of money.
    - My social status is an important part of my life.
    - Most decisions should be left to experts.

10. External Control: This focus here is on control issues, and particularly who is in control.

    - I feel like what happens in my life is mostly determined by powerful people.
    - If they get a chance, most people would try to take advantage of you.

11. Hedonism: This factor includes variables that focus on experimenting or pleasure above other things:

    - I like to try new things rather than doing the usual.
    - I always enjoy myself and generally seek fun and pleasure above other things.

Over time, the factor with the most variation is "rationalization". In 2019, significantly more Canadians strongly disagree that it is acceptable to cheat on taxes (71% versus 60% in 2011). All other differences over time were relatively small. Specifically, slightly more Canadians strongly disagree with the view that that tax cheating is "not a big deal" (51%

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[5] This factor was modified with the removal of one variable (*How likely is it for people who cheat on their taxes to get caught?*)

[6] This factor was modified with the removal of one variable (*Many people would hide income or overstate an expense to pay less tax.*)

[7] This factor was modified with the removal of one variable (*People should never intentionally harm others even to a small degree.*)

versus 47% in 2011) and strongly agree with the view that paying taxes is part of "responsible behaviour" as a citizen (53% versus 48%). In addition, fewer Canadians agree that other people think it's OK to cheat on taxes ("Others", factor 7) and that taxation is unfair (Tax Fatigue, factor 6).

Figure 12: Tax-related Factors

| Factor	Rating	2011	2019	Difference
Rationalization	Strongly disagree	60%	71%	+11%
	Somewhat disagree	24%	18%	-6%
No big deal	Strongly disagree	47%	51%	+4%
	Somewhat disagree	33%	31%	-2%
Consequences	Strongly agree	39%	37%	-2%
	Somewhat agree	37%	35%	-2%
Responsible behaviour	Strongly agree	48%	53%	+5%
	Somewhat agree	38%	33%	-5%
Risky business	Strongly agree	24%	22%	-2%
	Somewhat agree	30%	27%	-3%
Tax fatigue	Strongly agree	21%	17%	-4%
	Somewhat agree	32%	28%	-4%
"Others"	Strongly agree	19%	14%	-5%
	Somewhat agree	25%	21%	-4%

On the psychographic-related factors, there has been virtually no change in Canadians' values over time.

Figure 13: Psychographic-related Factors

Factor	Rating	2011	2019	Difference
Traditionalism	Strongly agree	80%	77%	-3%
	Somewhat agree	17%	19%	+2%
Elitism	Strongly disagree	5%	5%	--
	Somewhat disagree	19%	18%	-1%
	Strongly agree	8%	6%	-2%
	Somewhat agree	31%	30%	-1%
External Control	Strongly disagree	11%	12%	+1%
	Somewhat disagree	28%	28%	--
	Strongly agree	10%	9%	-1%
	Somewhat agree	20%	18%	-2%
Hedonism	Strongly agree	25%	22%	-3%
	Somewhat agree	42%	41%	-1%

The differences over time are presented another way in figure 14. While the tables in figures 12 and 13 offer insight into the intensity of the views held by Canadians (i.e., the proportions that *strongly* agree or disagree), the mean scores (out of 10) show the overall shift in views in the eight years between the baseline and the current study. Differences over time are small, ranging from 0.1 to 0.8.
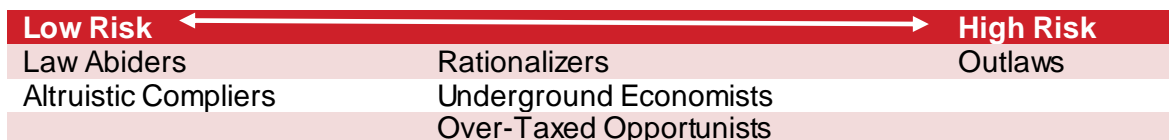
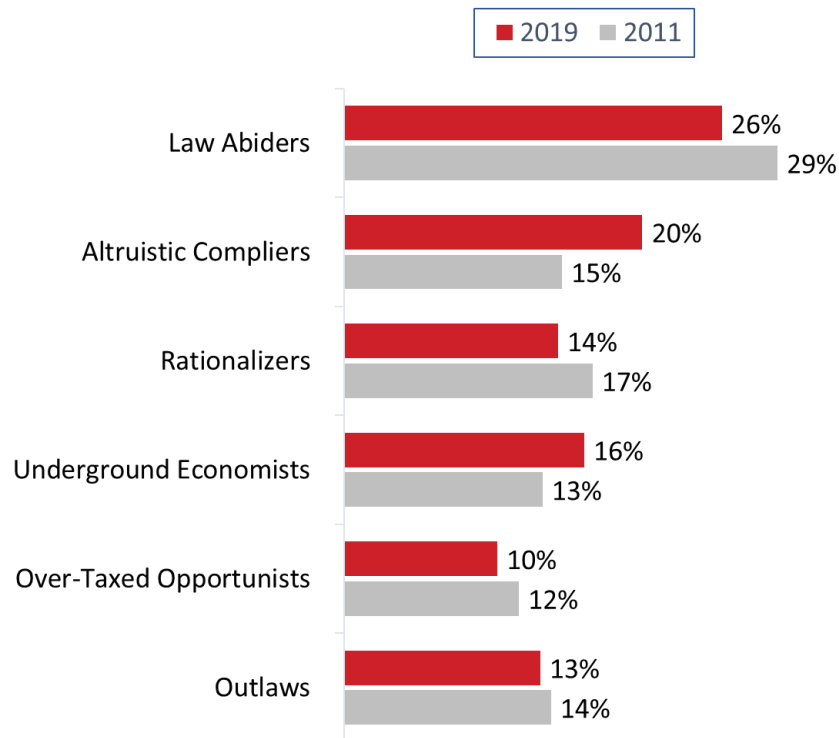**Figure 14: Factors over time: mean score comparison**
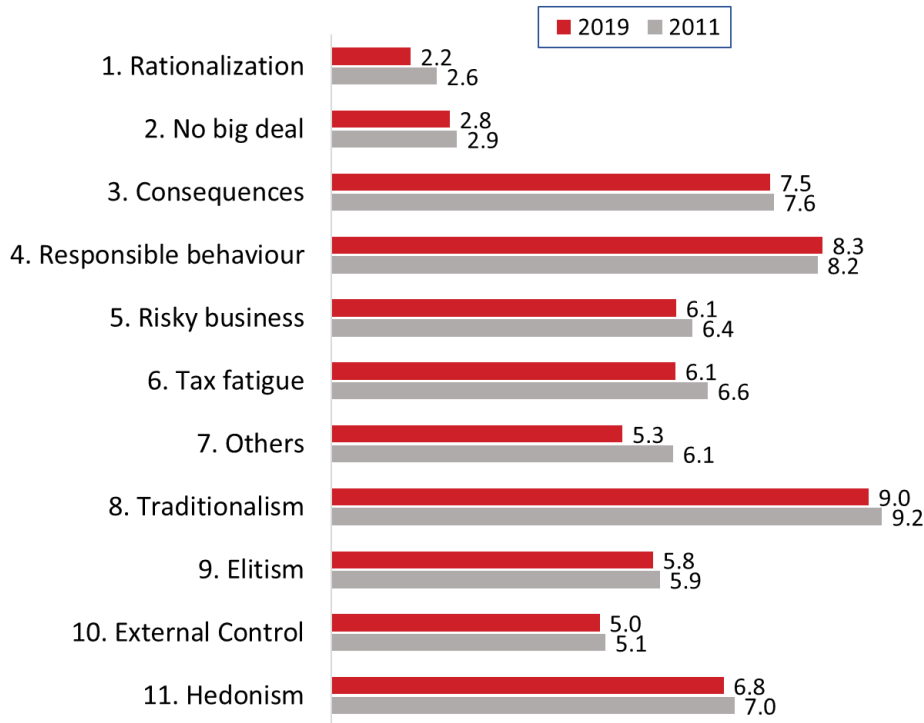
A table comparing the full results for the factors over time can be found in the Appendix: Factors – A comparison over time.

The Segments

Once the factor analysis was completed, the results were used to support the segmentation work. In 2011, the segmentation analysis was conducted using a multivariate technique called cluster analysis. This resulted in six segments, dividing taxpayers according to their likelihood or risk of cheating on taxes, as well as their orientations toward a range of related issues. These segments were:

Low Risk ⟵	⟶	High Risk
Law Abiders	Rationalizers	Outlaws
Altruistic Compliers	Underground Economists	
	Over-Taxed Opportunists	

Almost a decade later, in 2019, the landscape has changed very little. These six segments continue to reflect Canadians in terms of their attitudes towards taxation. Almost half of Canadians are *law abiders* or *altruistic compliers* and present a low risk of cheating on taxes. At the other end of the spectrum, relatively few Canadians are *outlaws* and present a high risk for tax evasion.

Figure 15: Taxpayer Segments: 2019 vs. 2011[8]

| | 2019 | 2011 |

Law Abiders: 2019 26%, 2011 29%
Altruistic Compliers: 2019 20%, 2011 15%
Rationalizers: 2019 14%, 2011 17%
Underground Economists: 2019 16%, 2011 13%
Over-Taxed Opportunists: 2019 10%, 2011 12%
Outlaws: 2019 13%, 2011 14%

Descriptions of these segments are presented below, including the key characteristics that define them.

1. Law Abiders

This segment comprises 26% of Canadians. *Law abiders* exhibit the lowest risk of cheating on taxes and the second lowest risk with respect to paying cash to get a cheaper price by not paying tax. A significant defining characteristic of *law abiders* is that they think it is risky to cheat on taxes. They were the most likely of all the segments to think that people who cheat on their taxes will eventually get caught.

Not surprisingly, members of this segment are more likely than most to embrace responsible behaviour and to exhibit greater recognition of the potential consequences of tax cheating. In particular, *law abiders* were more likely than the general public to strongly agree (scores of 10 on a 10-point scale) with the following:

- "Paying taxes is a responsibility that should be willingly accepted by all Canadians": 77% vs. 61% of the general public.
- "It is my responsibility to pay my fair share of taxes": 66% vs. 56% of the general public.
- "Taxes help governments do worthwhile things": 47% vs. 36% of the general public.
- "If I cheat on my taxes, there is less money for government services like health care and education": 66% strongly agree compared to 49% of the general public.

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[8] The data presented for 2011 have been adjusted to maximize comparability to the 2019 data. In other words, the model used this year has been run with both the 2011 and 2019 data in order to present this comparison over time of the taxpayer segments.

- "I would feel ashamed to get caught cheating on taxes": 84% vs. 65% of the general public.
- "If my neighbours cheat on their taxes, it means that I have to pay more": 41% vs. 28% of the general public.

These taxpayers, along with *altruistic compliers*, are the least likely to accept or use rationalizations about tax cheating, and they are among the most likely to think that tax cheating is a big deal. They are also the least likely (with *altruistic compliers*) to believe that it is OK for a self-employed Canadian to be paid in cash for some of the work they do in order to avoid paying taxes on that income (4% versus 14% of the general public) and the most apt to place the threshold for serious tax cheating at under $1,000 of unclaimed cash income (48% versus 26% of the general public).

It is also noteworthy that members of this segment are more likely than the general public to display tax fatigue. Specifically, *law abiders* were among the most likely to strongly agree that Canadians pay too much in taxes and that they themselves pay more than their fair share of taxes (second only to *outlaws*). As was the case in 2011, *law abiders* appear to be following the law because of the risk of getting caught and the consequences that flow from tax cheating not necessarily because they believe taxes are fair.

In terms of their psychographic profile, *law abiders* are the most likely to lean towards traditional values and more likely than average to exhibit elite and hedonistic attitudes, second only to *over-taxed opportunists*.

Figure 16: Law Abiders
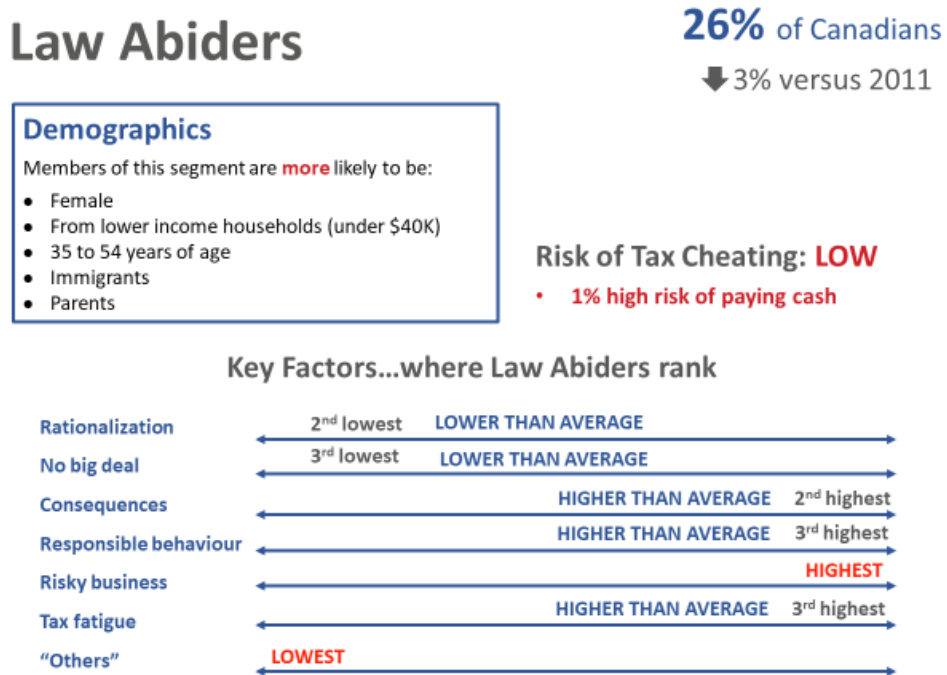
Members of the *law abiders* segment are more likely to be:

- Female
- From lower income households (under $40K)
- 35 to 54 years of age

- Immigrants
- Parents (i.e., have children living in the home with them)

…and less likely to be:

- 18 to 24 years of age
- Living in British Columbia
- University graduates

In addition, *law abiders* were more likely than average to say that spousal support is their main source of income.

While the demographic profile of this segment was older in 2011 (members were more likely than average to be 65 years of age or older), *law abiders* continue to be overrepresented by females and underrepresented by university graduates.

2. Altruistic Compliers

In total, 20% of Canadians are members of this group. *Altruistic compliers* are quite similar to *law abiders* in terms of attitudes and beliefs. Like *law abiders*, recognizing the consequences of tax cheating and responsible behaviour are important characteristics of *altruistic compliers*. In fact, this segment was more likely than any other segment to reflect these views:

- "If I cheat on my taxes, there is less money for government services like health care and education": 71% strongly agreed (scores of 10 on a 10-point scale) compared to 49% of the general public.
- "I would feel ashamed to get caught cheating on taxes": 83% vs. 65% of the general public.
- "If my neighbours cheat on their taxes, it means that I have to pay more": 41% vs. 28% of the general public.
- "Paying taxes is a responsibility that should be willingly accepted by all Canadians": 75% vs. 61% of the general public.
- "Taxes help governments do worthwhile things": 46% vs. 36% of the general public.
- "It is my responsibility to pay my fair share of taxes": 71% vs. 56% of the general public.

Altruistic compliers are also the least likely to accept rationalizations about tax cheating, and they are the most likely to view tax cheating as a big deal. Like *law abiders*, *altruistic compliers* also consider it unacceptable for a self-employed Canadian to be paid in cash in order to avoid paying taxes on that income.

The defining characteristic of *altruistic compliers*, however, is that they are the least likely to consider tax cheating to be risky business. Compared to the general public, *altruistic compliers* were far less apt to think that most people who cheat on their taxes will eventually get caught (13% vs. 27%). Consistent with 2011 segmentation results, *altruistic compliers* do not abide by the law because they fear getting caught cheating on their taxes; instead, they do so because they believe it is the right thing to do. Notably, *altruistic compliers* also are among the least likely to display tax fatigue (ahead only of *underground economists*).

In terms of their psychographic profile, *altruistic compliers* are the least likely to articulate hedonistic attitudes. In addition, they are less likely than average to express elite perspectives or to feel that control is more with others than themselves and more likely than average to lean towards traditional values.

Figure 17: Altruistic Compliers
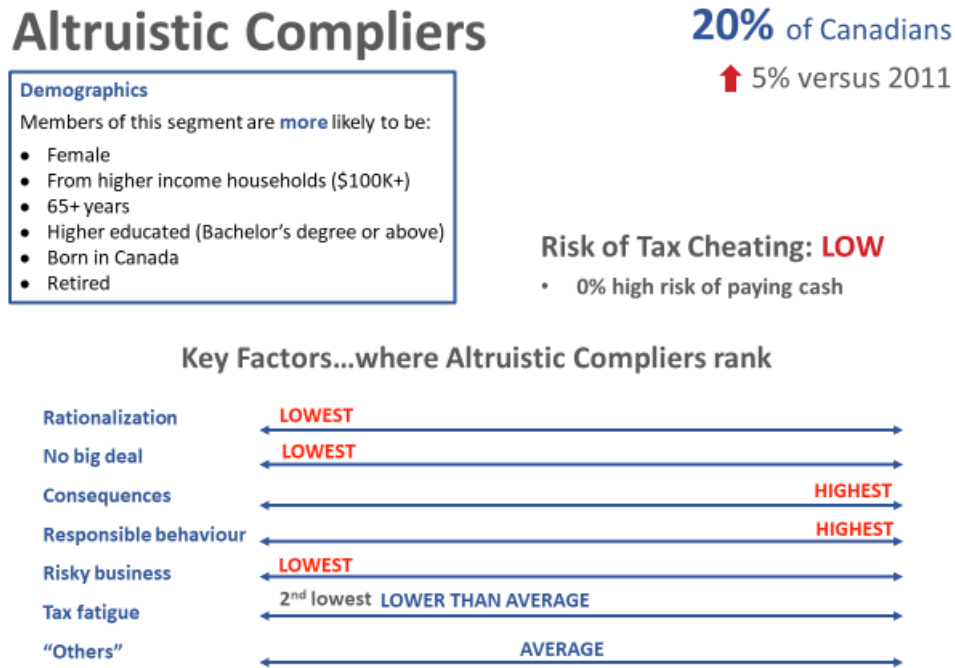
Demographically, members of this segment are more likely to be:

- Female
- From higher income households ($100K+)
- 65+ years
- Higher educated (Bachelor's degree or above)
- Born in Canada
- Retired

Altruistic compliers continue to be overrepresented by Canadians with higher household incomes and university degrees. In contrast to 2011, however, members of this segment are more likely than average to be older and retired. In 2011, *altruistic compliers* were more likely to be working full-time and to be between the ages of 45 and 64 years.

3. Rationalizers

This group, the *rationalizers*, represents 14% of Canadians. *Rationalizers* are more likely to pursue tax-cheating behaviours when compared to *law abiders* and *altruistic compliers*, but they should only be considered a low risk overall and with respect to paying cash to evade taxes.

The defining characteristic of this group is that they embrace rationalizations about tax cheating more than the other segments with the exception of *outlaws*. Across all the

rationalization measures, *rationalizers* were more likely than the general public to think it is okay to cheat on taxes for various reasons, with the most significant differences reported for "It's OK to cheat on taxes since governments waste taxpayers' money" and "It's OK to cheat there are plenty of other people paying their taxes".

Similarly, members of this group are among the most likely to think that tax cheating is not a big deal (only *outlaws* ranked ahead of *rationalizers*). *Rationalizers* were the most likely to strongly agree that the money saved is worth the risk and that tax evasion is not a real crime. In short, this segment does not appear to be deterred by the penalties associated with tax cheating.

Perhaps not surprisingly, *rationalizers* are among the least likely to think there are consequences that flow from tax cheating and to embrace responsible behaviour when it comes to taxation (only *outlaws* rank lower). In addition, *rationalizers* are less likely than average to think that tax cheaters will get caught.

In terms of their psychographic profile, *rationalizers* are less likely to lean towards traditional values and more likely than average to feel that control over their lives lies elsewhere. When it comes to elitism and hedonism, *rationalizers* sit right in the middle.

Figure 18: Rationalizers
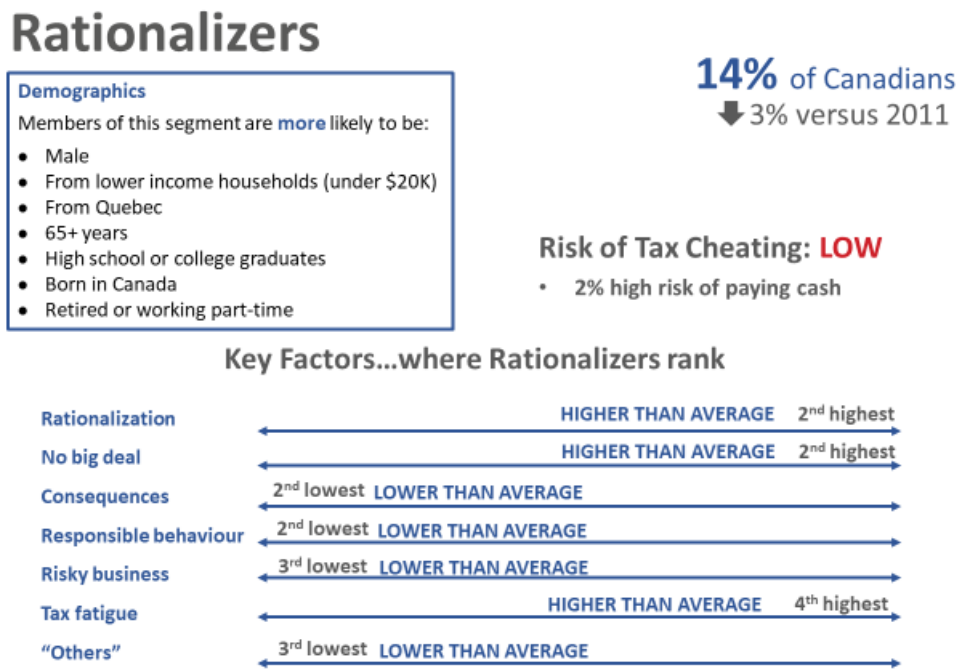
Demographically, this segment is older than average and the lowest-income. Specifically, members of this segment are more likely to be:

- Male
- From lower income households (under $20K)
- From Quebec
- 65+ years

- High school or college graduates
- Born in Canada
- Retired or working part-time

…and less likely to be:

- Living in British Columbia or Ontario

One notable difference between 2011 and 2019 is that members of this segment are more likely than average to report having completed a college or other non-university certificate or diploma in 2019. In contrast, in 2011, *rationalizers* were the least educated of all the segments.

4. Underground Economists

This segment comprises 16% of Canadians. Almost half of *underground economists* present a high risk of paying cash for goods or services to evade taxes (behind only *over-taxed opportunists*).

The factor of most salience to *underground economists* is tax fatigue. This segment was more likely than the general public to strongly agree (scores of 10 on a 10-point scale) that the taxes they pay are fair (19% versus 14%), less apt to think that Canadians pay too much in taxes (15% versus 28%), and least likely to strongly agree that they pay more than their fair share of taxes (14% versus 28%). On this factor, *underground economists* are very similar to *altruistic compliers*.

Underground economists also share views similar to *altruistic compliers* and *law abiders* when it comes responsible citizenship and taxation. Members of this segment were more likely than the general public to strongly agree that paying taxes is a responsibility people should willingly embrace (60% versus 61%), that it is their responsibility to pay their fair share of taxes (30% versus 56%), and that taxes help governments do worthwhile things (42% versus 36%).

Like *altruistic compliers* and *law abiders*, *underground economists* do not buy into rationalizations to excuse tax cheating and they tend to view tax cheating as a serious issue with consequences. Conversely, *underground economists* are less likely than average to think that most people who cheat on their taxes will eventually get caught. While they acknowledge the consequences of tax cheating, they also do not think there is a high likelihood that one will get caught. Such views on taxes may result, at least in part, from this group's preference for cash transactions. It may be that *underground economists* do not think paying cash to avoid paying tax is as serious as other forms of tax-cheating.

In terms of their psychographic profile, *underground economists* are less likely than average to articulate attitudes related to any of the psychographic factors. Notably, they are the least likely to feel that control over their lives lies elsewhere and, together with *outlaws*, they are the least likely to hold elite perspectives.

Underground Economists

Demographics
Members of this segment are **more** likely to be:

- From British Columbia or Ontario
- Younger (under 35 years of age)
- Born in Canada
- From higher income households ($100K+)
- Higher educated (Bachelor's degree or above)
- Working full-time or attending school full-time

16% of Canadians
⬆ 3% versus 2011

Risk of Tax Cheating: MEDIUM
- 46% high risk of paying cash

Key Factors...where Underground Economists rank

Rationalization	3rd lowest LOWER THAN AVERAGE	
No big deal	2nd lowest LOWER THAN AVERAGE	
Consequences	HIGHER THAN AVERAGE	4th highest
Responsible behaviour	HIGHER THAN AVERAGE	2nd highest
Risky business	2nd lowest LOWER THAN AVERAGE	
Tax fatigue	LOWEST	
"Others"	4th lowest LOWER THAN AVERAGE	

Demographically, *underground economists* have a similar profile to 2011: they are younger, higher income, and more educated. Specifically, members of this segment are more likely to be:
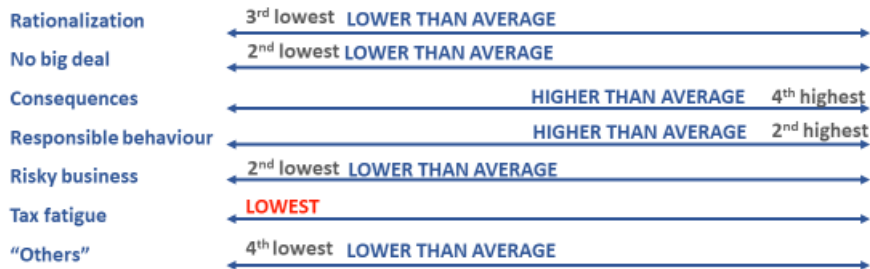
- From British Columbia or Ontario
- Younger (under 35 years of age)
- Born in Canada
- From higher income households ($100K+)
- Higher educated (Bachelor's degree or above)
- Working full-time or attending school full-time

…and less likely to be:

- Living in Quebec or the Prairies

In addition, *underground economists* are more likely than average to report paid income as their main source of income.

5. Over-Taxed Opportunists

In total, 10% of Canadians are members of this group. While this group exhibits the highest risk when it comes to paying cash, it is also the smallest segment (smaller than *outlaws*, the segment at most risk of tax cheating).

Over-taxed opportunists are the most likely of all the segments to believe that a lot of people think it is OK to cheat on taxes. They are also more likely than average to exhibit attitudes indicative of tax fatigue. *Over-taxed opportunists* tend to think that Canadians pay too much in taxes (32% strongly agree vs. 28% of the general public) and that they, personally, pay

more than their fair share (32% strongly agree vs. 28%). Note the lack of differentiation between Canadians and them personally. *Over-taxed opportunists* were also least likely to strongly agree that the taxes they pay are fair (6% versus 14%) and less likely than average to think that most people who cheat on their taxes will eventually get caught (24% versus 27%).

With that said, they do recognize the consequences of tax cheating (unlike *rationalizers* and *outlaws*). In particular, they were more likely than *underground economists* to say they would feel ashamed if they got caught cheating on their taxes (67% versus 63%) and to acknowledge that they will have to pay more if their neighbours cheat on their taxes (33% versus 22%). It may be that members of this segment do not consider paying cash to avoid paying taxes as "high risk tax cheating".

In short, members of this segment think they are over-taxed, look for opportunities to pay cash to evade taxes, and, most importantly, think that others do the same (perhaps this helps them rationalize their behaviour).

Behind only *law abiders*, *over-taxed opportunists* are among the most likely to lean towards traditional values. In addition, members of this segment are the most likely to express hedonistic attitudes and elite perspectives. Together with *outlaws*, *over-taxed opportunists* also are the most likely to feel that control over their lives lies elsewhere.

Figure 20: Over-taxed Opportunists
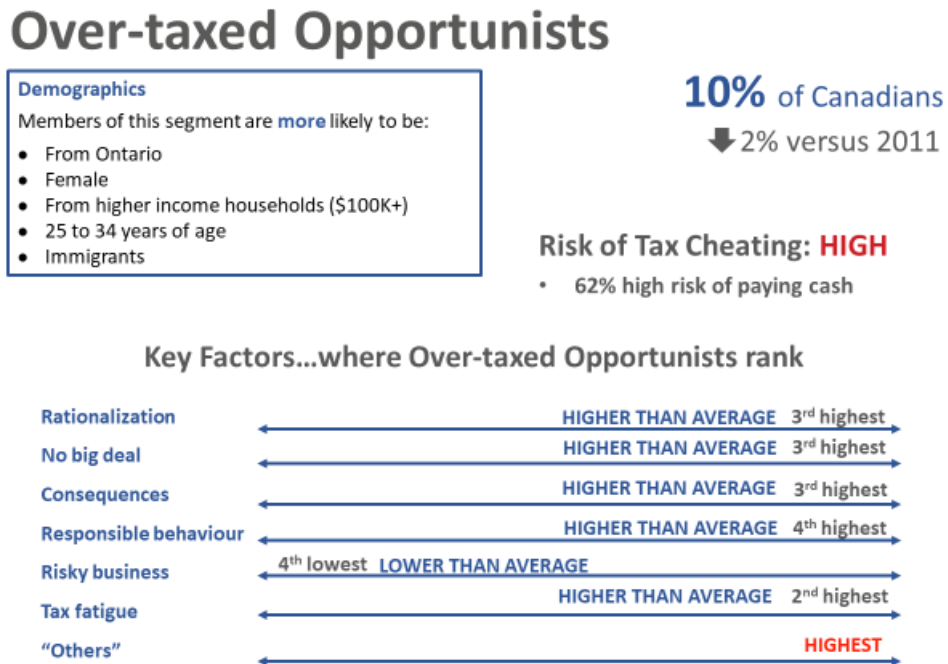
Demographically, members of this segment are more likely to be:

- From Ontario
- Female
- From higher income households ($100K+)
- 25 to 34 years of age

- Born outside of Canada

Over-taxed opportunists are less likely to be:

- Living in Quebec or British Columbia

In 2011, members of this segment were also more likely to be female and living in Ontario.

6. Outlaws

This is the highest-risk segment in terms of the likelihood of cheating on taxes, comprising 13% of Canadians. While they represent a high risk of tax cheating, they rank behind *over-taxed opportunists* and *underground economists* in terms of their propensity to pay cash to avoid taxes.

Important factors for this segment are responsible behaviour and consequences. *Outlaws* are less likely than the general public (and the least likely of all the segments) to see consequences flowing from tax cheating and to view taxation, and paying one's fair share of taxes, as part of responsible citizenship.

Outlaws are also the most likely to think of tax evasion as no big deal, to use or accept the various rationalizations put forward to excuse tax cheating, and to experience tax fatigue. In fact, they were the most likely of all the segments to strongly agree that Canadians pay too much in taxes (42% versus 28% of the general public). They were also the most likely of all the segments to say that it is OK for a self-employed Canadian to be paid in cash for some of the work they do in order to avoid paying taxes on that income (47% versus 14% of the general public). *Outlaws* were also the least likely to place the threshold for serious tax cheating at under $1,000 of unclaimed cash income.

In short, little has changed among this segment over time. *Outlaws* continue to be high risk in terms of adopting all forms of tax cheating, have the rationalizing mindset to support this, see limited consequences flowing from their actions, and likely think tax cheating is justified because of unfairly high levels of taxation.

The one noteworthy difference is that *outlaws* are no longer among the least likely to be concerned about getting caught tax cheating. In 2011, they were second only to *altruistic compliers*. Now, *underground economists* and *over-taxed opportunities* are also more likely than *outlaws* to hold this view—that most people who cheat on their taxes will eventually get caught.

In terms of their psychographic profile, *outlaws* are the least likely to articulate traditional values and they are among the most likely to feel that control over their lives lies elsewhere. Together with *underground economists*, *outlaws* are the least likely to lean towards elitism and they are slightly more likely than average to express hedonistic attitudes.

Figure 21: Outlaws

Outlaws

Demographics

Members of this segment are **more** likely to be:

- From the Prairies or Atlantic Canada
- Male
- From low-middle income households ($20-60K)
- 18 to 24 years of age or 25 to 34 years of age
- Less educated (some high school or a graduate)
- Immigrants

13% of Canadians
⬇1% versus 2011

Risk of Tax Cheating: HIGH

- 29% high risk of paying cash

Key Factors…where Outlaws rank

Rationalization		**HIGHEST**
No big deal		**HIGHEST**
Consequences	**LOWEST**	
Responsible behaviour	**LOWEST**	
Risky business	5th lowest LOWER THAN AVERAGE	
Tax fatigue		**HIGHEST**
"Others"	2nd lowest LOWER THAN AVERAGE	

The demographic profile of *outlaws* is similar to that of 2011: members of this segment continue to be younger than average, male, less educated and from lower income households. Specifically, *outlaws* are more likely to be:
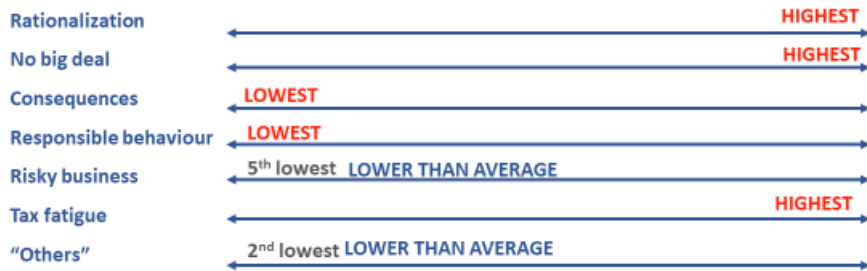
- From the Prairies or Atlantic Canada
- Male
- From low-middle income households ($20-60K)
- 18 to 24 years of age or 25 to 34 years of age
- Less educated (some high school or a graduate)
- Born outside of Canada

…and less likely to be:

- Living in Quebec

In addition, compared to member of other segments, outlaws were more likely to report income from self-employment as their main source.

3. Opportunities for Government Actions and Communications

This section discusses the taxpayer segmentation in terms of its opportunities for potential government actions and communications.

Looking first at actions, respondents were asked to assess the effectiveness of a number of potential government actions in terms of reducing tax cheating. The potential government actions that were assessed were:

- Better informing Canadians of the penalties for tax cheating.
- Increasing the use of audits and penalties.
- Publishing the names of people caught tax cheating.
- Increasing fines or jail time for tax cheating.
- Educating people earlier about their tax obligations, such as students or newcomers to Canada.
- Catching more wealthy people and companies that cheat on their taxes
- Publishing the names of businesses caught tax cheating.

The table below presents the results in this area for each of the segments. The scores represent the proportion of respondents who indicated that each action would be very effective (i.e., scores of 9 and 10 on a 10-point scale).

Figure 22: Potential government actions to reduce tax cheating

Potential Government Actions

Action	Total	Law Abiders	Altruistic Compliers	Rationalizers	Underground economists	Over-taxed Opportunists	Outlaws
Better informing Canadians of the penalties	34%	54%	28%	25%	22%	35%	23%
Increasing the use of audits and penalties	27%	40%	30%	17%	20%	29%	19%
Publishing names of people caught cheating	32%	42%	37%	24%	27%	38%	18%
Increasing fines or jail time for cheating	35%	46%	37%	27%	26%	43%	24%
Educating people earlier about tax obligations	57%	74%	58%	43%	49%	55%	45%
Publishing the names of businesses caught cheating	55%	67%	57%	45%	48%	63%	39%

Scores of 9-10 on a 10-point scale – those who said they would be very effective.

Law abiders were more likely than the other segments to view all of these as effective measures. *Altruistic compliers* and *over-taxed opportunities* were similarly likely to view as effective various types of penalties, including audits, publishing the names of tax cheaters, and increasing fines.

In contrast, *outlaws*, *underground economists*, and *rationalizers* expressed similar views with respect to the effectiveness of these proposed measures—that is, members of these

segments were less likely to rate these measures as effective in terms of reducing tax cheating.

Respondents were also informed that there are a number of things that might motivate or encourage people to pay their full share of taxes. They were then asked to rate six items in terms of how big a motivator each is to them personally. The potential motivators were:

- Understanding the responsibility I have as a Canadian to pay taxes.
- Concern about the impact on my reputation if I'm caught cheating on taxes.
- Seeing how government services I use might be impacted if there is more tax cheating.
- Fear of embarrassing my family and friends.
- Fear of having to pay heavy penalties.
- Because it is the law, and I won't break the law.
- Knowing that wealthy people and big companies are paying their fair share.

The table below presents the results in this area for each of the segments. The scores represent the proportion of respondents who indicated that each item would be a very big motivator to pay taxes (i.e., scores of 9 and 10 on a 10-point scale).

Figure 23: Potential motivators to pay taxes

Potential Motivators to Pay Taxes

Motivator	Total	Law Abiders	Altruistic Compliers	Rationalizers	Underground economists	Over-taxed Opportunists	Outlaws
Understanding the responsibility I have as a Canadian to pay taxes.	58%	78%	67%	41%	49%	57%	32%
Concern about the impact on my reputation if I'm caught cheating on taxes.	50%	71%	54%	37%	41%	53%	25%
Seeing how government services I use might be impacted if there is more tax cheating.	41%	58%	42%	25%	39%	44%	19%
Fear of embarrassing my family and friends.	43%	62%	45%	32%	36%	42%	24%
Fear of having to pay heavy penalties.	54%	72%	58%	44%	45%	56%	35%
Because it is the law, and I won't break the law.	62%	80%	73%	52%	51%	63%	31%
Knowing that wealthy people and big companies are paying their fair share.	38%	53%	38%	33%	28%	44%	24%

Scores of 9-10 on a 10-point scale – those who said they would be a big motivator.

The potential motivators are most effective with *law abiders*, followed by *altruistic compliers*. In contrast, each of the potential motivators performed least well with the group that appears to be most in need of perceptual and behavioural change—*outlaws*. Among the other segments, these motivators were more likely to resonate with *underground economists* and *over-taxed opportunists* than with *rationalizers*. Perhaps it is the rationalizing mind-set of the latter segment that limits the effectiveness of these types of consequences.

Appendix

1. Demographic Profile of Respondents

In total, 79% of respondents completed the survey in English and 21% did so in French. The tables below present the characteristics of the respondents who participated in the survey. Characteristics include age, gender, region, parental status, education, employment status, household income, primary source of income, and immigration status. All data are weighted.

Age	
Base	n=3,001
18-24	11%
25-34	16%
35-54	33%
55-64	17%
65+	20%
Refusal	4%

Gender	
Base	n=3,001
Male	48%
Female	51%
Other	<0.5%

Region	
Base	n=3,001
British Columbia	14%
Alberta	11%
Saskatchewan	3%
Manitoba	4%
Ontario	38%
Quebec	23%
Newfoundland and Labrador	2%
New Brunswick	2%
Nova Scotia	3%
Prince Edward Island	<0.5%
North	<0.5%

Children under 18 in the household	
Base	n=3,001
Yes	28%
No	72%

Education	
Base	n=3,001
Grade 8 or less	2%
Some high school	5%
Completed high school	20%
Some college/vocational/trade school/CEGEP	5%
Completed college/vocational/trade school/CEGEP	24%
Some university	7%
Undergraduate university degree	22%
Graduate or professional university degree	15%
Refusal	1%

Employment Status	
Base	n=3,001
Working full-time (i.e., 35 or more hours per week)	44%
Working part-time (i.e., less than 35 hours per week)	8%
Self-employed	6%
Unemployed, but looking for work	3%
A student attending school full-time	7%
Retired	23%
Not in the workforce (e.g. homemaker, unemployed, but not looking)	4%
A small business owner	4%
Other	1%
Refusal	<0.5%

Household Income	
Base	n=3,001
Under $20,000	8%
$20,000 to just under $40,000	13%
$40,000 to just under $60,000	16%
$60,000 to just under $80,000	12%
$80,000 to just under $100,000	12%
$100,000 to just under $150,000	15%
$150,000 and above	12%
Refusal	11%

Primary source of Income	
Base	n=3,001
Paid employment	54%
Pension	20%
Self-employment	9%
Social assistance payments	3%
Investments	3%
Spousal support	3%
Insurance	1%
Employment Insurance (EI) / unemployment insurance (UI)	1%
Other	6%

Immigrated to Canada	
Base	n=3,001
Yes	21%
No	79%

Length of time in Canada	
Base	n=511
Arrived within the last 5 years	20%
Arrived five or more years ago	77%
Refusal	3%

2. Detailed Methodological Note

A more detailed discussion of the methodology is provided below.

- A 16-minute telephone survey was administered to 3,001 adult Canadians. The quantitative fieldwork was carried out by Elemental Data Collection Inc. (EDCI), under subcontract to Phoenix SPI, as per our standing offer.

- An overlapping dual-frame (landline and cell phone) sample was used to minimize coverage error.

- The sample was geographically disproportionate in order to improve the accuracy of regional and provincial results. The distribution of interviews was as follows:

	Sample Size (n)
Canada	**3,001**
Newfoundland and Labrador	200
Prince Edward Island	200
Nova Scotia	200
New Brunswick	200
Quebec	500
Ontario	700
Manitoba	205
Saskatchewan	209
Alberta	275
British Columbia	245
North	67

- Survey results are weighted by region, age, and gender to reflect the actual population distribution in Canada.

- A telephone pre-test was conducted in English and French, with 10 interviews in each official language. The pre-test revealed that the questionnaire was too long; as a result, minor modifications were made to the questionnaire (keeping in mind the desire to have results that would be comparable to the baseline results). Specifically, several questions were removed from the questionnaire and/or were edited to improve clarity and reduce the time required to ask and answer the question.

- All survey respondents were informed that their participation was voluntary, and that information collected was protected under the authority of privacy legislation.

- Sponsorship of the study was revealed (i.e., the Government of Canada).

- With the landline sample, a minimum of eight call-backs were attempted to reach respondents before a record was retired. For the cell phone sample, a minimum of five call-backs were made.

- Calling was conducted during the days, evenings and on weekends, abiding by the hours and call-back procedures stipulated in the *Standards for the Conduct of Government of Canada Public Opinion Research*.

- The table below presents information about the final call dispositions for this survey, as well as the associated response rates.

	Total	Landline	Cell
Total Numbers Attempted	**159,742**	**40,406**	**119,336**
Out-of-scope - Invalid	**99,235**	**16,336**	**82,899**
Unresolved (U)	**27,343**	**8,484**	**18,859**
No answer/Answering machine	27,343	8,484	18,859
In-scope - Non-responding (IS)	**29,999**	**14,034**	**15,965**
Language barrier	766	331	435
Incapable of completing (ill/deceased)	380	223	157
Callback (Respondent not available)	3,275	963	2,312
Refusal	25,029	12,281	12,748
Termination	549	236	313
In-scope - Responding units (R)	**3,165**	**1,552**	**1,613**
Completed Interview	3,001	1,500	1,501
NQ-Industry	160	51	109
Quota Full	4	1	3
Response Rate	**5.23%**	**6.45%**	**4.43%**

The formula used to calculate the response rate is as follows: [R=R/(U+IS+R)]. This means that the response rate is calculated as the number of responding units [R] divided by the number of unresolved [U] numbers plus in-scope [IS] non-responding households and individuals plus responding units [R].

- The overall response rate was 5%. Specifically, the response rate for the cell phone sample was 4% and for the landline sample it was 6%. This is consistent with response rates for similar surveys.

- The potential for non-response bias was assessed by comparing the characteristics of respondents through unweighted and weighted data. The characteristics evaluated were gender and age. As is generally the case, for general population telephone surveys, older individuals (those aged 55+) are overrepresented and younger individuals (those under 35 years of age) are underrepresented in the survey sample. This was corrected through weighting.

- In terms of the segmentation work, this included a factor analysis, a regression analysis which predicted the likelihood, or risk, of cheating on taxes in future, and a cluster analysis to develop the segments. The risk profile was two-fold. The first part focused on three types of behaviours (working for cash to avoid paying income tax, knowingly not declaring income on one's tax return, and selling goods or services without reporting the income). The second part focused on paying cash for things like home improvements or car repairs to get a cheaper price by not paying tax. There were two types of higher-risk individuals: 1) individuals who had a higher likelihood of paying cash to avoid paying tax, who but were unlikely to engage in the other tax-cheating behaviours, and; 2) individuals who were more likely to engage in all forms of tax-cheating behaviour.

3. Factors – A comparison over time

I. Tax-related Measures

Rationalization	2011	2019	Difference
Strongly disagree[9]	60%	71%	+11%
Somewhat disagree	24%	18%	-6%
Neutral	10%	7%	-3%
Somewhat agree	4%	3%	-1%
Strongly agree	2%	1%	--

No big deal	2011	2019	Difference
Strongly disagree	47%	51%	+4%
Somewhat disagree	33%	31%	-2%
Neutral	14%	13%	-1%
Somewhat agree	5%	5%	--
Strongly agree	1%	1%	--

Consequences	2011	2019	Difference
Strongly disagree	2%	3%	+1%
Somewhat disagree	6%	8%	+2%
Neutral	16%	17%	+1%
Somewhat agree	37%	35%	-2%
Strongly agree	39%	37%	-2%

Responsible behaviour	2011	2019	Difference
Strongly disagree	1%	1%	--
Somewhat disagree	2%	3%	+1%
Neutral	11%	9%	-2%
Somewhat agree	38%	33%	-5%
Strongly agree	48%	53%	+5%

Risky business	2011	2019	Difference
Strongly disagree	5%	6%	2%
Somewhat disagree	16%	18%	2%
Neutral	26%	27%	1%
Somewhat agree	30%	27%	-3%
Strongly agree	24%	22%	-2%

Tax fatigue	2011	2019	Difference
Strongly disagree	4%	7%	+3%
Somewhat disagree	14%	18%	+4%
Neutral	30%	30%	--
Somewhat agree	32%	28%	-4%
Strongly agree	21%	17%	-4%

"Others"	2011	2019	Difference
Strongly disagree	19%	21%	+2%
Somewhat disagree	10%	12%	+2%
Neutral	28%	32%	+4%
Somewhat agree	25%	21%	-4%
Strongly agree	19%	14%	-5%

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[9] The factors are based on a 10-point rating scale which has been aggregated for reporting purposes as follows: scores of 9-10 (strongly agree), 7-8 (somewhat agree), 5-6 (neutral), 3-4 (somewhat disagree), and 1-2 (strongly disagree).

II. Psychographic-related Measures

Traditionalism	2011	2019	Difference
Strongly disagree	.4%	.3%	--
Somewhat disagree	.5%	.4%	--
Neutral	2%	4%	+2%
Somewhat agree	17%	19%	+2%
Strongly agree	80%	77%	-3%

Elitism	2011	2019	Difference
Strongly disagree	5%	5%	--
Somewhat disagree	19%	18%	-1%
Neutral	36%	41%	+5%
Somewhat agree	31%	30%	-1%
Strongly agree	8%	6%	-2%

External Control	2011	2019	Difference
Strongly disagree	11%	12%	+1%
Somewhat disagree	28%	28%	--
Neutral	32%	33%	+1%
Somewhat agree	20%	18%	-2%
Strongly agree	10%	9%	-1%

Hedonism	2011	2019	Difference
Strongly disagree	1%	2%	+1%
Somewhat disagree	6%	7%	+1%
Neutral	25%	28%	+3%
Somewhat agree	42%	41%	-1%
Strongly agree	25%	22%	-3%

4. Survey Questionnaire

Introduction

Hello, my name is [Interviewer's name]. I'm calling on behalf of Phoenix SPI, a public opinion research company. We are conducting a survey for the Government of Canada on issues of interest to Canadians. Would you prefer to continue in English or French? / Préférez-vous continuer en anglais ou en français?

The survey takes about 15 minutes and is voluntary. Your responses will be kept entirely confidential and anonymous.

[LANDLINE SAMPLE]

A. We choose telephone numbers at random and then select one person from each household to be interviewed. To do this, we would like to speak to the person in your household, 18 years of age or older, who has had the most recent birthday. Would that be you?

       Yes   GO TO E
       No   ASK TO SPEAK TO ELIGIBLE PERSON; REPEAT INTRO

[CELL SAMPLE]

B. Are you 18 years of age or older?

       Yes   CONTINUE
       No   THANK/DISCONTINUE

C. Are you in a place where you can safely talk on the phone and answer my questions?

       Yes   GO TO E
       No   ASK D

D. We would like to conduct this interview with you when it is safe and convenient to do. When would it be more convenient for me to call back?

       SCHEDULE CALL-BACK IF POSSIBLE (TIME/DAY): _____

[EVERYONE]

E. Do you work in any of the following areas? [READ LIST]

       Advertising or Market Research or Public Relations
       The media (i.e. TV, radio, newspapers)

       THANK/DISCONTINUE IF ANY OF THE ABOVE

F. In which province or territory do you live?

     Newfoundland and Labrador
     Prince Edward Island
     Nova Scotia
     New Brunswick
     Quebec
     Ontario
     Manitoba
     Saskatchewan
     Alberta
     British Columbia
     Yukon
     Northwest Territories
     Nunavut

PROGRAMMING NOTES:

- Accept Don't know and Refused for all questions if volunteered by a respondent.
- Record Don't know and Refused separately for all questions.

Section A: Tax-Related Awareness, Perceptions and Behaviours

The focus of this survey is mainly on taxes and related issues. This includes personal income tax, sales taxes, customs duties, and other taxes that people pay. Please answer the questions as honestly as you can – your comments will be treated in complete confidence and your participation in the survey is completely anonymous.

1. Please tell me the extent to which you agree or disagree with each of the following statements using a scale of one to 10, where one means strongly disagree, 10 means strongly agree. If something does not apply to you, please say so. [READ/RANDOMIZE LIST.] PLEASE VOLUNTEER THE "DOES NOT APPLY" OPTION WHEN RESPONDENTS HAVE TROUBLE PROVIDING A RESPONSE TO ONE OF THE STATEMENTS.

    a. I think the taxes I am required to pay are fair.
    b. I think that Canadians pay too much in taxes.
    c. Money saved by cheating on taxes is worth the risk of fines and jail time.
    d. It is my responsibility to pay my fair share of taxes.
    e. I think a small amount of tax cheating is not so bad.

2. Did you complete your latest tax return yourself or did someone do it on your behalf, such as an accountant or tax preparer, or even a family member or friend? [DO NOT READ]

    Self-filer

Used an intermediary/volunteer/family or friend
VOLUNTEERED: Have never filed taxes

[NOTES TO INTERVIEWER: 1. USE OF TAX SOFTWARE = DOING TAXES ONESELF, AND 2. IF CONFUSION BETWEEN PERSONAL AND BUSINESS/PAYROLL TAXES, FOCUS ON PERSONAL]

3. In the future, how likely would you be to do each of the following? How about...? READ/RANDOMIZE LIST. Would you say very likely, somewhat likely, not very likely or not likely at all?

   a. Pay cash for a service such as a home improvement or car repair to get a cheaper price by not paying tax.
   b. Work for cash to avoid paying income tax.
   c. Knowingly not declare some income on your tax return.
   d. Sell things you made, or services you offer, without reporting the income.*ACCEPT DOES NOT APPLY FOR 3D ONLY.

4. Is it OK for a self-employed Canadian* to be paid in cash for some of the work they do in order to avoid paying taxes on that income? [DO NOT READ]

   Yes   CONTINUE
   No   SKIP TO Q6
   Sometimes   CONTINUE

*NOTE TO INTERVIEWER: IF ASKED WHAT IS MEANT BY SELF-EMPLOYMENT, SAY: This refers to someone who works for him or herself rather than for an employer. Sometimes someone who is self-employed may be referred to as a "freelancer" or "contractor".

5. At what point would you say not claiming a year's worth of cash income becomes serious tax cheating? (DO NOT READ LIST; IF "I DON'T KNOW" READ LIST)

   Less than $1000 unclaimed cash income
   Up to $5000 unclaimed cash income
   Up to $10000 unclaimed cash income
   Up to $15000 unclaimed cash income
   Up to $20000 unclaimed cash income
   Up to $25000 unclaimed cash income
   Greater than $25K unclaimed cash income

6. Please tell me the extent to which you agree or disagree with each of the following statements using a scale of one to 10, where one means strongly disagree, 10 means strongly agree. READ/RANDOMIZE LIST.

   a. I think I pay more than my fair share of taxes.
   b. Paying taxes is a responsibility that should be willingly accepted by all Canadians.
   c. If a company got caught tax cheating, it would have an impact on its reputation.
   d. I don't think of tax cheating as a real crime.
   e. If my neighbours cheat on their taxes, it means that I have to pay more.
   f. I think that moQ6st people who cheat on their taxes will eventually get caught.
   g. Taxes help governments do worthwhile things.

h. I think corporations pay their fair share of taxes
i. I think wealthy Canadians pay their fair share of taxes

Section B: Perceptions of Tax Cheating

The next few questions deal with issues related to tax cheating. Please remember that your answers will remain completely confidential, like all your answers in this survey.

7. Here are a few reasons some people might give to explain why they think it's OK to cheat on taxes. Please use the same scale of one to 10, where one means strongly disagree, 10 means strongly agree. READ/RANDOMIZE LIST.

    a. It's OK to cheat on taxes because lots of people do it.
    b. It's OK to cheat on taxes because rich people and big companies get away with avoiding paying taxes
    c. It's OK to cheat on taxes since governments don't provide enough services for the taxes they collect.
    d. It's OK to cheat on taxes since governments waste taxpayers' money.
    e. It's OK to cheat on taxes because there are plenty of other people paying their taxes.

8. And to what extent do you agree or disagree with the following statements about taxes? Please use the same scale of one to 10. READ/RANDOMIZE LIST.

    a. If I cheat on my taxes, there is less money for government services like healthcare and education.
    b. It's OK if I don't declare income received under the table on my tax return.
    c. A lot of people think it's OK to cheat on taxes.
    d. I would feel ashamed to get caught cheating on taxes.
    e. People working in jobs* where they collect tips should report tips as income and pay taxes.

*NOTE TO INTERVIEWER: IF ASKED ABOUT THE TYPE OF JOBS SAY: Jobs that offer the chance to collect tips are often in the service sector and include professions such as hair stylists, restaurant servers, or tour guides, among others.

9. In your opinion, generally speaking, how likely is it for people who cheat on their taxes to get caught? Please use a scale of one to 10, where one means it is not likely at all, and 10 means very likely.

10. How effective do you think the following potential government actions would be in terms of reducing tax cheating? Please use a scale of one to 10, where one means you think it would not be effective at all and 10 means you think it would be extremely effective. How about…? READ/RANDOMIZE LIST, BUT 10C AND 10G ARE NEVER TO BE READ BACK-TO-BACK.

    a. Better informing Canadians of the penalties for tax cheating.
    b. Increasing the use of audits and penalties.
    c. Publishing the names of people caught tax cheating.
    d. Increasing fines or jail time for tax cheating.

e. Educating people earlier about their tax obligations, such as students or newcomers to Canada.
f. Catching more wealthy people and companies that cheat on their taxes
g. Publishing the names of businesses caught tax cheating.

Section C: Communications Issues

11. There are a number of things that might motivate or encourage people to pay their full share of taxes. Please rate each of the following in terms of how big a motivator it is to you personally, using a scale of one to 10, where one means it is not a motivator at all, and 10 means it is a very big motivator. READ/RANDOMIZE LIST.

   a. Understanding the responsibility I have as a Canadian to pay taxes.
   b. Concern about the impact on my reputation if I'm caught cheating on taxes.
   c. Seeing how government services I use might be impacted if there is more tax cheating.
   d. Fear of embarrassing my family and friends.
   e. Fear of having to pay heavy penalties.
   f. Because it is the law, and I won't break the law.
   g. Knowing that wealthy people and big companies are paying their fair share

Section D: Psychographics

This next question looks at issues of a more general nature.

12. To what extent do you agree or disagree with the following statements? Please use a scale of one to 10, where one means strongly disagree, 10 means strongly agree. [READ/RANDOMIZE LIST].

   a. It is important to me to be an honest, law-abiding person.
   b. I feel it is important to have a lot of money.
   c. My social status is an important part of my life.
   e. I feel like what happens in my life is mostly determined by powerful people.
   f. I like to try new things rather than doing the usual.
   g. When I get what I want, it's usually because I worked hard for it.
   h. If they get a chance, most people would try to take advantage of you.
   i. I always enjoy myself and generally seek fun and pleasure above other things.
   j. Most decisions should be left to experts.

Section E: Demographics

The last few questions are for classification purposes only.

13. In what year were you born?

   Record year: _____

14. How do you identify your gender? This may be different from the information noted on your birth certificate or other official documents. [READ LIST]

    Female,
    Male, or
    Please specify: [TEXT]
    [DO NOT READ] Prefer not to answer

15. Which of the following categories best describes your current employment status? Are you… [READ LIST]?

    Working full-time, that is, 35 or more hours per week?
    Working part-time, that is, less than 35 hours per week?
    A small business owner?
    Self-employed?
    Unemployed, but looking for work?
    A student attending school full-time?
    Retired?
    Not in the workforce? [IF ASKED: Full-time homemaker, unemployed, not looking for work]
    [DO NOT READ] Other – [Do not specify]
    [DO NOT READ] Refused

16. What is your primary source of income? [READ LIST IF HELPFUL; STOP READING WHEN A RESPONSE IS PROVIDED]

    Paid employment
    Self-employment
    Pension
    Social assistance payments
    Investments
    Spousal support
    Insurance
    Employment Insurance (EI) / unemployment insurance (UI)
    [DO NOT READ] Other – [Do not specify]

17. Do you have any children under the age of 18 who live with you at least part of the time? NOTE TO INTERVIEWERS: THIS INCLUDES CHILDREN LIVING WITH RESPONDENT FULL-TIME OR PART-TIME AS PART OF A SHARED-CUSTODY ARRANGEMENT.

    Yes
    No

18. What is the highest level of education that you have reached? [READ LIST]

    Grade 8 or less
    Some high school
    High School diploma or equivalent
    Registered Apprenticeship or other trades certificate or diploma
    College, CEGEP or other non-university certificate or diploma

University certificate or diploma below bachelor's level
Bachelor's degree
Post graduate degree above bachelor's level
[DO NOT READ] Prefer not to answer

19. Did you immigrate to Canada from another country?

Yes
No

IF YES, ASK:

20. In what year did you come to Canada?

Record year: _____

21. Which of the following categories best describes your total household income? That is, the total income of all persons in your household combined, before taxes. [READ LIST]

Under $20,000
$20,000 to just under $40,000
$40,000 to just under $60,000
$60,000 to just under $80,000
$80,000 to just under $100,000
$100,000 to just under $150,000
$150,000 and above
[DO NOT READ] Refused

22. What are the first three digits of your postal code?

RECORD: _____
[DO NOT READ] Refused
[DO NOT READ] Don't know

23. RECORD: LANGUAGE

That concludes the survey. This survey was conducted on behalf of the Government of Canada. Thank you very much for your thoughtful feedback. It is much appreciated.