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Essays on Optimal Income Taxation and Tax Compliance

(最適所得課税論と税務コンプライアンスに関する研究)

This thesis delves into the theoretical analysis of tax compliance and optimal income taxation designs in the presence of tax non-compliance. The structure of the thesis comprises four chapters.

Chapter 1 serves as the general introduction, providing insights into the motivations behind the study, a review of theoretical research, and a brief overview of the three works presented in subsequent chapters (Chapter 2 to Chapter 4).

Chapter 2 reexamines the Allingham-Sandmo-Yitzhaki model and analyzes taxpayers' evasion responses both in the intensive margin and extensive margin, primarily incorporating insights from behavioral economics. Specifically, by assuming the existence and endogeneity of the salience of penalties, this chapter demonstrates that the so-called "Yitzhaki puzzle" can be reversed, and provides the conditions for such a reversal. Through straightforward numerical simulations, I confirm that this reversal condition holds in the majority of cases. Therefore, this reaffirms the credibility of the A-S-Y model, even in predicting how tax evasion responds to changes in tax rates.

Chapter 3 extends the Atkinson-Stiglitz analysis to a dynamic overlapping generations model, incorporating the realistic assumption that agents can evade labor income taxes by misreporting their true income, incurring both non-monetary and monetary costs. The paper distinguishes between the two types of costs and demonstrates that they play different roles in the design of optimal tax policies. By considering the monetary cost as a deferred payment, the paper shows that tax evasion concerns can render the well-known Atkinson-Stiglitz theorem invalid and provides critical insights into how different types of costs affect tax schedules. Furthermore, by employing numerical simulations, this paper provides direct evidence in support of capital income taxation. It also

emphasizes the importance of imposing fines on tax evaders, pointing out that social welfare is at its lowest when only non-monetary costs are considered.

Chapter 4 delves into the study of optimal taxation in a two-sector economy, distinguished by the possibilities for tax avoidance. Building upon the optimal tax model in a single-sector environment and allowing individuals to shift between sectors, it demonstrates how sector-dependent taxation can enhance overall social welfare. This enhancement can be achieved through a tax reform strategy that provides tax deductions or rewards to high-income reporters in sectors where tax avoidance is feasible. Furthermore, the article highlights that a shift to a fully optimal sector-dependent income taxation may not be desirable, as it violates the Pareto-improvement rule.