

# IOTA PAPER

## Educating the future taxpayers

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## Abstract

# Understanding is the basis of cooperation

A better understanding of what motivates taxpayers to participate in the tax system and to comply with tax law is of great value to all countries and stakeholders and is essential for further planning. From another perspective: for a tax system to work well, people need to understand why they are paying taxes and really feel the benefits of contributing to the public good. Tax morale is generally defined as the intrinsic motivation to pay taxes (Torgler, 2005)<sup>[1]</sup>. Research shows a significant correlation between tax morale and tax compliance in both developed and developing countries (Ali, Fjeldstad and Sjørnsen, 2014<sup>[2]</sup>; Cummings et al., 2009<sup>[3]</sup>). An increased focus on tax morale provides a route to increase voluntary compliance. Thus, a better understanding of what drives differences in tax morale is a key element in explaining variations in tax compliance. The findings in the OECD report on Tax Morale<sup>[4]</sup> identify a number of areas for policy makers to consider, and for further research. One of them is to support taxpayer education programmes – including through incorporating tax morale research and analysis into the programmes. Ideally, tax education for taxpayers should start at an early age and continue into adulthood. So, it is worth assessing our options for educating future taxpayers.

Life is increasingly lived online, especially among the younger generations, and so young people need be engaged digitally in tax education, both to ensure accessibility and to help promote tax administrations as accessible, modern and technologically advanced.<sup>[5]</sup>

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<sup>[1]</sup> Torgler, B. (2005), "Tax morale and direct democracy", *European Journal of Political Economy*, Vol. 21/2, pp. 525-531, <http://dx.doi.org/10.1016/j.ejpoleco.2004.08.002>.

<sup>[2]</sup> Ali, M., O. Fjeldstad and I. Sjørnsen (2014), "To Pay or Not to Pay? Citizens' Attitudes Toward Taxation in Kenya, Tanzania, Uganda, and South Africa", *World Development*, Vol. 64, pp. 828-842, <http://dx.doi.org/10.1016/J.WORLDDEV.2014.07.006>.

<sup>[3]</sup> Cummings, R. et al. (2009), "Tax morale affects tax compliance: Evidence from surveys and an artefactual field experiment", *Journal of Economic Behavior & Organization*, Vol. 70/3, pp. 447-457, <http://dx.doi.org/10.1016/j.jebo.2008.02.010>.

<sup>[4]</sup> OECD (2019), *Tax Morale: What Drives People and Businesses to Pay Tax?*, OECD Publishing, Paris, <https://doi.org/10.1787/f3d8ea10-en>.

<sup>[5]</sup> OECD (2021), *Building Tax Culture, Compliance and Citizenship: A Global Source Book on Taxpayer Education*, Second Edition, OECD Publishing, Paris, <https://doi.org/10.1787/18585eb1-en>.

The Gen Z and Gen Alpha has grown up with a completely different set of values and norms; the world of the Internet, using smart devices, social media integrated into their immediate environment. Born into it, they can access any kind of audio-visual content, but it may not be able to understand the causal relationships and make rational decisions. The daily content load and stimulus are multiplied compared to the previous generation, the nervous system response is obviously differentiated accordingly, the attention capacity is reduced, while the expectations are the same: We expect them to make conscious decisions while being overwhelmed by the mass of information. Both parents, educators and society need to react much more consciously (Steigervald 2020). What can we do to keep their attention? How can we keep information from getting lost in the mass of stimuli and pop-up messages on social media, and the mass of information coming at the same time on TV, smartphone or tablet? How to motivate when there is no time or urge to immerse yourself in information? This paper seeks answers to these questions, shedding light on possible solutions through surveys of international organisations and practical examples from jurisdictions.

## Introduction

Governments around the world are facing the challenges of financial fraud, tax fraud and tax evasion. While striving to keep pace with global social and economic changes and digitalisation developments that are taking place faster than ever before, national tax administrations should also pay attention to their youngest citizens and ensure that they gain a thorough understanding of the importance of paying taxes. It should be recognised that educating students about taxation is a key tool in building tax awareness. It is therefore necessary to assess the tools and resources required for this, to analyse the best practices, to identify the solutions that seem to be the most effective and to design initiatives in accordance with national and local needs and the age group targeted by the measure.

Encouraging taxpayers to use the online services available to them can make their lives easier, save them time, and thus improve their compliance. For the educational initiatives it is necessary to assess the tools and resources; assess, evaluate and identify opportunities on the basis of existing or ongoing international projects; and then implement solutions that seem most effective in a domestic context, because there is no single "magic tool", however desirable it might be. A range of well-designed taxpayer initiatives can be complementary.

Tax administrations around the world are experimenting with a range of innovative digital tools and platforms, ranging from entertaining educational videos, apps, content promoted by influencers, to competitions for the title 'The Young Tax Professional of the Year' targeting university-level students. When placing the best practices into a domestic context, it is also worth bearing in mind the national economic, social and cultural specificities, the available resources, the cooperation with other professional organisations, evaluating the role of influencers, the quality of educational materials, and, in a broader context, considering the tools of awareness-raising as a long-term project, taking into account society as a whole.

## The Importance of Understanding

Encouraging voluntary compliance is at the heart of any tax system. Taxpayers' lack of knowledge can be identified as barrier to voluntary compliance and one of the major challenges faced by many tax administrations. However, simply telling taxpayers they have to pay taxes is not enough (Moore 2019)<sup>[6]</sup>. Effort to overcome the lack of awareness cannot therefore be limited to mere communication; but must also include education to broaden taxpayers' knowledge. While there is no single definition of taxpayer education, it is a means of empowering taxpayers, giving them knowledge and tools to be able to better understand the tax system, increase their tax morals and, finally, increase tax compliance.

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<sup>[6]</sup> Moore, M. (2019), "Intelligent Government: How Research Can Help Increase Tax Compliance", ATAP Working Paper, No. 9, International Centre for Tax and Development, Brighton.

A better understanding of what motivates taxpayers to participate in, and comply with, a tax system is valuable for all countries and stakeholders. Tax administrations can benefit from higher levels of voluntary compliance, higher revenues and taxpayers are better served by tax systems that understand and respond to their needs, while quantitative and qualitative improvements in data can also help researchers to deepen their understanding. In addition, this understanding can help improve tax-related communication and help development partners maximise the impact of development assistance.

Is it the instrumental motivation of fear of sanction or social motivations (moral and other factors) that persuade people to comply with the law? At best, a sense of moral social responsibility and, at worst, the fear of state coercive measures and punishments are 'incentives' to pay. (Bozsik et al. 2013)<sup>[7]</sup>.

Empirical research shows that a significant proportion of people do not take a rational approach to paying taxes<sup>[8]</sup>. Studies of tax-paying behaviour, for example, consistently find that people cheat much less than is rational.<sup>[9]</sup> There are many empirical arguments that law cannot work on the basis of coercion alone. It can also lead to paradoxical effects, for example, where the strictness of the tax administration reduces, rather than increases, the willingness to pay taxes.<sup>[10]</sup> Cooperative practice, which is widely used in Anglo-Saxon countries, follows more of an information-conciliation-convincing logic, which most stakeholders believe is more effective than rigid monitoring and sanctioning.<sup>[11]</sup>

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<sup>[7]</sup> Bozsik S.- Fellegi M. – Gróf P. – Süveges G. – Szemán J. (2017) Adózási ismeretek, Miskolci Egyetemi Kiadó, Miskolc, p.8.

<sup>[8]</sup> Rational approach, which weighs the likely negative consequences of the sanction against the benefits to be gained from the infringement and makes a decision on that basis.

<sup>[9]</sup> James Andreoni – Brian Erard – Jonathan Feinstein: Tax Compliance. Journal of Economic Literature, 1998/2. 818–860.

<sup>[10]</sup> Frey–Torgler (2007) i. m.; Dan M. Kahan: Trust, Collective Action and Law. Boston University Law Review, 2001/2. 333; Kristina Murphy: Regulating More Effectively: The Relationship between Procedural Justice, Legitimacy and Tax Non-compliance. Journal of Law and Society, 2005/4. 562–589.

<sup>[11]</sup> Tola Amodu: The Determinants of Compliance with Laws and Regulations with Special Reference to Health and Safety. Health and Safety Executive. RR638 Research Report, 2008.

It is not the fear of sanctions that primarily motivates citizens to obey the law and the authority that applies it, but the trust in the law and the authority, an attitude of acceptance that needs constant reinforcement: the fairness of the new procedures and the fact that it is constantly experienced by those concerned<sup>[12]</sup>. The fair functioning of institutions and normative legitimacy (trust) are important features that increase the chances of cooperation with the authorities and compliance with the law. Public trust is central to tax morale – the tendency for individuals and businesses to pay their tax voluntarily and without enforcement action by tax authorities.

For countries with a large informal economy, encouraging individuals and businesses to engage with the tax system can be the first step towards increased economic growth and political stability. While tax administrations have a major role to play in building trust in tax, they are not the only actor. For example OECD research<sup>[13]</sup> identified that partnerships with other actors was a common feature of the most effective taxpayer education initiatives. Building an understanding of the extent to which different actors are both trusted and consulted may therefore help tax administrations identify potential partners to collectively build trust.<sup>[14]</sup> Tax morale is composed of several, interlinked, elements. One approach to understanding these interlinkages is proposed by the World Bank. The World Bank theory of change for tax compliance (See Figure 1) highlights the dynamic relationships between trust, facilitation, and enforcement, and their role in building tax morale. The theory posits that trust is driven by the degree to which the tax system, including the approach to facilitation and enforcement, is characterised as fair, equitable, reciprocal, and accountable. As such, strengthening tax compliance is not only about improving tax enforcement and “enforced compliance”, but also about pursuing “quasi-voluntary compliance” through building trust and facilitating payments – all underpinned by a credible, fair and equitable system of enforcement.

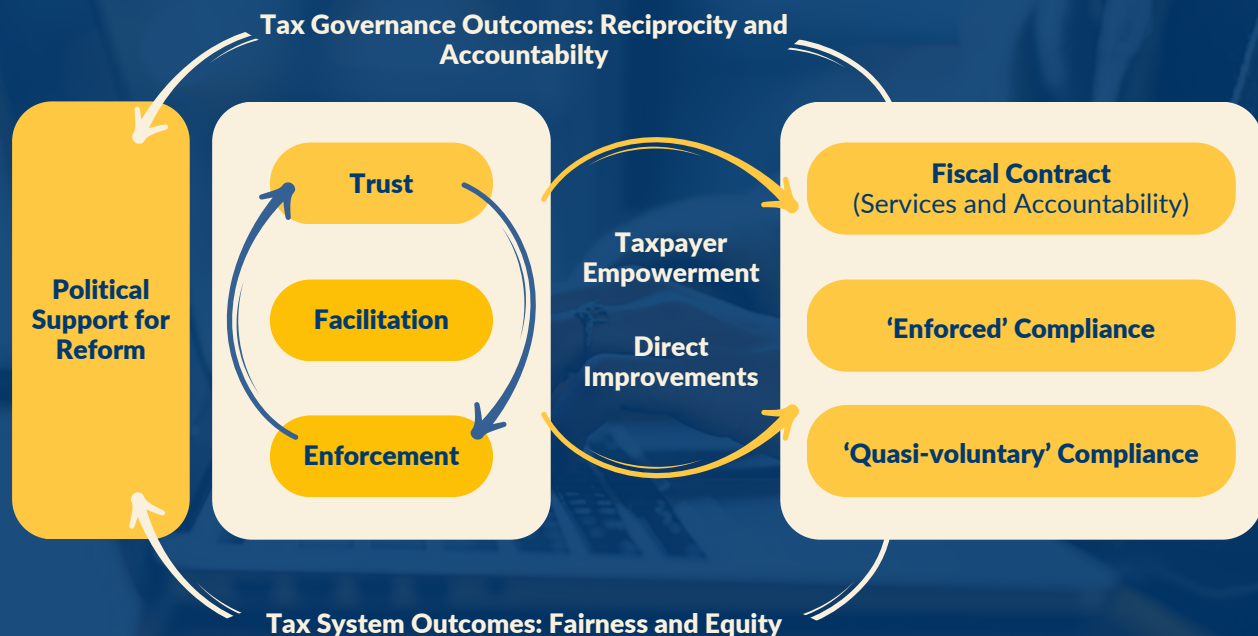
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<sup>[12]</sup> Tom R. Tyler: Why people obey the law? Procedural justice, legitimacy, and compliance. New Haven, CT, Yale University, 1990.

<sup>[13]</sup> OECD (2021), Building Tax Culture, Compliance and Citizenship: A Global Source Book on Taxpayer Education, Second Edition, OECD Publishing, Paris, <https://doi.org/10.1787/18585eb1-en>.

<sup>[14]</sup> IFAC/ACCA (2024), Public Trust in Tax 2024 – Latin America and Beyond, OECD Publishing, Paris, <https://doi.org/10.1787/52ce48d5-en>.

Figure 1  
The World Bank theory of change for tax compliance



For instance, a more service-oriented approach, rather than an enforcement approach, has helped the Swedish tax authorities to increase citizens' trust in government, tax morale and thus tax compliance.<sup>[15]</sup>

One of the most important changes in the recent past is the way tax administrations view their relationship with taxpayers, moving from coercion to partnership, a customer-centred, service-oriented partnership. Taxpayers are increasingly seen as allies. The threat of penalties and fines for non-compliance with their obligations is increasingly being supplemented by the demonstration that by changing their behaviour they can improve the society in which they live and contribute to its development. In Hungary, the area of tax procedure has a key objective of strengthening tax morale, improving the relationship between taxpayers and the tax authorities, and encouraging cooperation and voluntary compliance.

<sup>[15]</sup> OECD (2019), Tax Morale: What Drives People and Businesses to Pay Tax?, OECD Publishing, Paris, <https://doi.org/10.1787/f3d8ea10-en>. pp.4-5.



To this end, the government has transformed the tax administration in recent years, implementing a number of measures that have strengthened its service character and supported its customer focus.

For a tax system to work well, people need to understand why they pay taxes and really feel the benefits of contributing to the public good. The importance of taxation needs to be understood. Taxpayers with inaccurate or too little information about the tax system may not comply with obligations they do not understand or may make irrational decisions.<sup>[16]</sup> That is why it is so important to educate people about taxation in order to increase tax compliance and the discipline of citizens. These initiatives serve as tools to reach and encourage new taxpayers, explain the role of the tax in society, strengthen tax morale and ultimately increase revenues. There is a lot of evidence that the earlier we start teaching people about taxes, the more effective the result can be.

Tax morale generally appears to increase with age, which indicates potential benefits in changing behaviour earlier. In the 2019 report on Tax Morale (OECD, 2019<sup>[17]</sup>), age was found to be one of the prime determinants of tax morale globally, with older people less likely to justify cheating on taxes. This suggests that significant gains can be made by targeting efforts on promoting the need to pay taxes at younger generations. Establishing a taxpaying habit early in a citizen's life can return a significant dividend over the years.

Ideally, therefore, taxpayer education should start at an early age and continue into adulthood. The aim is for tax administrations to give citizens the opportunity to understand how the tax system works and how it benefits society as a whole, thereby creating a culture of voluntary compliance.

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<sup>[16]</sup> Luttmer, E. and M. Singhal (2014), "Tax morale", Journal of Economic Perspectives, Vol. 28/4, pp. 149-168, <http://dx.doi.org/10.1257/jep.28.4.149>.

<sup>[17]</sup> OECD (2019), Tax Morale: What Drives People and Businesses to Pay Tax?, OECD Publishing, Paris, <https://dx.doi.org/10.1787/f3d8ea10-en>.



Teaching tax to children can also be part of broader citizenship education. Educating children and teenagers on tax matters offers an opportunity to build the fiscal or social contract, helping children see the social utility of taxes, from their use to finance public services and institutions such as schools, hospitals and the police to their redistributive function. At its most ambitious, it can help children identify not just their own rights and responsibilities, but also those of the state with regards to transparency and accountability over how taxes are spent. While taxpayers' views on the theories and principles of taxation give an indication of the role they would like the tax system to play in their society, their lived experience of the functioning of the tax system will determine how much they trust governments to deliver on that vision. While there may be strong support for the fiscal contract in principle, if it does not appear to be working in practice there will be a risk that over time the willingness to enter into the fiscal contract will decline. Similarly, if the experience of complying with tax obligations is confusing and difficult, then willing taxpayers may be obstructed and/or discouraged from complying.<sup>[18]</sup>

Understanding is therefore key to developing tax-aware behaviour. It requires an assessment of tools and resources and the identification of the best international examples so that implementation options can be considered in a domestic context. As previously stated, there is no single "magic tool", however desirable it may be. However, a range of well-designed taxpayer initiatives can be complementary.



<sup>[18]</sup> IFAC/ACCA (2024), Public Trust in Tax 2024 – Latin America and Beyond, OECD Publishing, Paris, <https://doi.org/10.1787/52ce48d5-en>.

# Challenges of digitalisation

*"It would appear that we have reached the limits of what it is possible to achieve with computer technology. Although one should be careful with such statements, as they tend to sound pretty silly in five years."*

(John von Neumann, 1949)

In a period of turbulent transformations of society, technology and culture, the digital revolution accelerates generational changes linked to technological achievements. Nowadays, this means six generations living together. There has been such a level of technological change in the last fifty to sixty years that if we don't listen to each other, we don't understand each other. This is a challenge, because understanding is the basis of cooperation. If we don't understand the generation that is growing up, we can't work together. What does the current environment and society teach us? The youngest generation (meaning those born between 1995 and 2009 as the Gen Z and those born from 2010 as Gen Alpha) has grown up with a completely different set of values and norms; the world of the Internet, using smart devices, social media integrated into their immediate environment.

Born into it, they can access any kind of audio-visual content, but they may not be able to understand the causal relationships and make rational decisions. The daily content load and stimulus are multiplied compared to the previous generation, the nervous system response is obviously differentiated accordingly, the attention capacity is reduced, while the expectations are the same: We expect them to make conscious decisions while being overwhelmed by the mass of information. Both parents, educators and society need to react much more consciously (Steigervald 2020). What can we do to keep their attention? How can we keep information from getting lost in the mass of stimuli and pop-up messages on social media, and the mass of information coming at the same time on TV, smartphone or tablet? How to motivate when there is no time or urge to immerse yourself in information?

## Exploring our opportunities

Digital tools have proved to be a vital component of the educational approaches needed to reach the younger generations. Life is increasingly lived online, especially among the younger generations, and so young people need be engaged digitally in tax education, both to ensure accessibility (especially when initiatives are not integrated into formal school education) and to help promote tax administrations as accessible, modern and technologically advanced.

Tax administrations are experimenting with a range of innovative digital tools and platforms. The tools can also take the form of video tutorials on taxes explaining the usefulness and categories of taxes in an entertaining and simple way (e.g. UK Tax Facts videos). Other approaches include web games that show how taxes affect society as a whole (such as Norwegian Spleiselage, Finnish Taxcampus, and Moroccan Madinati). Web portals containing educational materials for children have also been developed (e.g. TAXEDU portal of the European Union and Vergi Bilinci of Turkey); several tax administrations have made their tools available through mobile apps, recognising that for many, the phone is the primary digital tool (e.g. Madinati in Morocco and Taxlandia game in the EU). At the most innovative end of the spectrum are approaches such as the Norwegian tax office's YouTube video "MoneyBack on the Skætt", in which fictional characters rap about the tax (Source: OECD Survey on Taxpayer Education Initiatives, OECD 2021).



Several international and EU projects and reports focus on identifying the most effective teaching methods and tools. Many reports point out that taxpayer education is closely linked to local economic, social and cultural realities. Each initiative is unique and applied at a given moment in the specific context of a given country. It is important to take into account the complex characteristics of this context when designing a specific measure.

There is no one-size-fits-all approach. A series of well-designed initiatives can support each other. Tax authorities often use different types of programmes and instruments in parallel. The examples are varied, including: the use of modules on tax culture and citizenship in primary and secondary schools; organising essay competitions on taxation; visits by tax officials to schools; situational games for students as civil servants; TikTok and YouTube videos, video games, educational stories about life with and without taxes; organisation of financial awareness camps, etc.

Bear in mind that tax culture and citizenship education in schools are long-term projects that help to spread a tax culture throughout society. This is not easy, as it requires the involvement of a wide range of actors (from teachers to ministries of education, universities, schools, student organisations, etc.). Taxpayer education programmes are widely used by governments to engage with current and future taxpayers on the purpose and functioning of the tax system, as well seeking to build relationships between taxpayers and the tax administration. As such they have the potential to be a key resource for governments looking to adjust perceptions of the tax system to encourage compliance and create the space for reforms.<sup>[19]</sup> It is necessary to find the right way to communicate with the future taxpayers (directly through school principals, NGOs or ministries of education) without placing an excessive burden on them. It is essential to get acquainted with the best international practices and to examine the transposition into national practice in a complex way.

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<sup>19]</sup> IFAC/ACCA (2024), Public Trust in Tax 2024 – Latin America and Beyond, OECD Publishing, Paris, <https://doi.org/10.1787/52ce48d5-en>.

## International outlook

Most international research analyses the behaviour of taxpayers, while very little research has been conducted among children, although attitudes to the law, other norms of behaviour, state institutions and officials developed in childhood can be maintained later in life and influence personal attitudes and compliance.

One such project is the ongoing EU-funded project of the Lithuanian Tax Administration (VMI) (2022-2026), which focuses on developing financial literacy among future taxpayers ([Source](#)). The aim of the project is to increase the tax awareness of children and young people and to reduce the rate of tax evasion by means of tax-related methodological materials, educational tools and a public communication information campaign. Surveys have shown that it is essential to provide children and young people of the right age groups with appropriate, timely and personalised information on tax payments, including the benefits of paying taxes and taxes in general.

The project is funded by the 'New Generation Lithuania' economic recovery and reconstruction plan. Based on the research, the book 'Legal and economic socialisation of children' was published. "Evidence shows that people's compliance with the law, effective adaptation and social cooperation are linked to the values and behavioural norms they adopt. It is therefore crucial to understand how personal socialisation takes place, especially in childhood and adolescence, when fundamental values, beliefs and behavioural norms are developed," reads the book's foreword (Vanagaitė 2021). The book is aimed at students of psychology, education, economics and law. The book presents and analyses the concept of legal and tax (economic) socialisation, the main factors, the stages and patterns of socialisation, as well as the tax knowledge of children and adolescents of different ages living in Lithuania, their attitudes towards paying taxes and the results of the intervention.

Another such project, which focused on improving the tax literacy and morale of young adults, took place in the UK. The measures taken by the UK government, as in other countries, clearly show that taxpayer education needs to be introduced early and then continuously strengthened and enhanced in the lives of their citizens. With the introduction of Making Tax Digital, it has become more important than ever to assess and address knowledge gaps and to start with formal education, targeting the younger generation: prospective employees, trainees and entrepreneurs in the classroom. In response, the UK Tax Administration (HMRC) initiated in 2015 the development and dissemination of a 'Tax Facts' education programme for young people. This was followed by the "Junior Tax Facts" for primary school children in 2016. A study by the University of Bournemouth reports the results of an empirical study conducted in the UK and funded by the Chartered Institute of Taxation (Alexander et al. 2018). The study examined the financial and tax literacy of 377 young adults from two UK universities, as well as the sociodemographic impact on tax morale and the perception of tax administration and compliance. The aim is to improve young people's tax awareness and tax morale at important stages of secondary and higher education, ahead of the next generation of labour market transitions.

The OECD estimates that the "informal economy" accounted for two thirds of the world's active population in 2009. The digital economy facilitates the transition to self-employment (De Stefano, 2015). According to the UK Office for National Statistics (ONS), the number of self-employed has increased by around 40% since the turn of the century. As more and more people engage in commerce instead of employment, tax education will play an important role in the personal and professional development of future entrepreneurs. Furthermore, as tax digitalisation has been achieved by 2019, it is essential to raise the level of financial and tax literacy before young people leave school and higher education.

The research of the Chartered Institute of Taxation examined the relationship between the financial and tax literacy, tax morale and tax compliance attitudes of young people at the university.

Sociodemographic effects were considered, as well as the impact of improving financial and tax literacy on the tax morale of young adults. It also took into account young people's perception of tax compliance and tax administration. Essentially, they wanted to understand (1) how familiar young people are with taxes, (2) how high their tax morale is, and (3) how to improve their knowledge and morale before they enter the labour market.

The results showed that gender, tax education and employment experiences influence tax morale. The research also showed that focused tax education has a positive impact on university students in terms of increasing financial and tax literacy, as well as the recognition of public funding. Three recommendations have been made targeting young people who are about to enter the labour market. One recommendation is to target all young people before entering the labour market, regardless of whether they are in higher education, to ensure that general financial and tax literacy is increased with maximum impact.

The Norwegian Tax Agency (Skatteetaten) has developed a computer game for secondary school students (Source: OECD Survey on Taxpayer Education Initiatives, OECD 2021). Their aim was to teach them that taxes benefit both themselves, as individuals, and society as a whole. The game is not only a leisure activity, but also part of a teaching plan and complements the exercises the teacher can use in class to maintain the effect. The game uses 'second-screen' technology, which means that participants log in to the presentation with their mobile phones and shape the content with the input provided.

One question, for example, was about the informal economy. The app used to run the presentation performs calculations based on participants' responses to show the impact of the responses both on a given group of participants and on Norway as a whole. For example, if students were to do undeclared work for NOK X, Norway would lose X% of tax revenue, which could be used to fund X people living in a nursing home or X people study in higher education or secondary school. The game is implemented through a special collaboration called '*Working together against the shadow economy*' (*Samarbeid mot svart økonomi*), involving labour unions and employers' organisations, alongside the Norwegian Tax Agency, to raise awareness of the negative impact of undeclared work and the shadow economy on both employers and employees.



This initiative has produced very interesting results: On the one hand, a computer game for secondary school students, is designed to address the competence objectives of several subjects (social studies, mathematics, geography, Norwegian language). Since its release in 2015, it has been played approximately 50,000 times a year. On the other hand, the Norwegian tax agency holds a 90-minute lecture each year for upper secondary school students, which is also designed to meet the competency objectives of several subjects; Every year, about 600 "Tax Facts Ambassadors" meet more than 40,000 students. They also created a website (Spleiselaget). This can be used alone or in connection with the computer game or the lecture.

The recently published study *"Addressing Evasion and Tax Morale by Educating Young Taxpayers"* was co-authored by Dr. Simon Starček, Deputy Director General of the Slovenian Financial Administration. The study examined the important role played by national tax authorities in the tax education of students, especially in view of the impact of short education programmes on the tax morale of primary and secondary school students.

The results of the study showed that the tax morale of Slovenian primary and secondary school pupils declines slightly with age. It also found that the educational background of pupils' households is closely linked to tax morale and that household affluence has a negative impact on tax morale<sup>[1]</sup>. The study also concluded that participation in educational programs significantly increases tax morale.

One of the key findings of the authors is that even alternative, smaller-scale programmes can be implemented and still bring benefits to the tax morale of young citizens.

National tax authorities are already at the forefront of such initiatives, many of which are reported on the TAXEDU news portal.

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<sup>[20]</sup> The detailed analysis and findings can be found in the source material: *Addressing Evasion and Tax Morale by Educating Young Taxpayers* | TAXEDU Cirman, Andreja & Pahor, Marko & Starcek, Simon. (2022). *Addressing Evasion and Tax Morale by Educating Young Taxpayers*.

The authors underline that the need to provide resources not only for students but also for teachers should be taken into account when designing and implementing tax education programmes. Not all teachers are necessarily tax-experienced enough to educate their students about the role of taxes.<sup>[21]</sup> Finally, the study finds that learning about taxes from an early age has many benefits, beyond simply that of learning how and why you should pay them. Dr. Simon Starček et al. point out that tax education programs contribute to improving financial literacy, decision-making, security, and ethical behaviour in general.

The findings are supported by the OECD's 2021 Report on Taxpayer Education<sup>[22]</sup>, which is another useful starting point for designing and implementing education initiatives. This report presents the results of an international survey carried out in 2019. Building on the experience gathered, it provides a unique overview of the range of educational initiatives targeting taxpayers around the world.

Tax administrations were asked to select a limited number (up to three) of the most important education initiatives for taxpayers. Survey information was collected using a dedicated form. Participation was voluntary, with 59 tax authorities completing the survey. In spring 2021, the draft report was circulated for comments to all participating countries and members of the OECD Forum on Tax Administration (FTA). The comments received were taken into account as widely as possible. The aim of the report is to illustrate the diversity of taxpayer education initiatives around the world and to help the reader get a clear picture of the opportunities and challenges that exist in taxpayer education by including these initiatives in a typology. However, the report does not intend to serve as a catalogue of all initiatives, but rather to illustrate the different approaches through a balanced selection of initiatives. It highlights that taxpayer education can take many forms, tailored to local needs and resources. The 140 initiatives in the report show a wide range of approaches: from student essay competitions to workshops; from initiatives to educate future taxpayers to help them file tax returns.

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<sup>[21]</sup> EU initiatives such as TAXEDU help to address this challenge by providing learning and teaching materials as a template for both teachers and students of all relevant ages.

<sup>[22]</sup> OECD (2021), *Building Tax Culture, Compliance and Citizenship: A Global Source Book on Taxpayer Education*, Second Edition, OECD Publishing, Paris, <https://doi.org/10.1787/18585eb1-en>.

It is clear that there is no single approach to educating taxpayers, and countries operating under different resource constraints are taking a number of initiatives to achieve different goals. However, there are clear commonalities between this diversity, which allow the establishment of a taxonomy of taxpayer education initiatives and the identification of common approaches, challenges and solutions.

The report also proposes a simple four-step methodology that can guide the practical design and implementation of taxpayers' education initiatives (determining the purpose of the new initiative and the resources available, identifying possible initiatives, designing the most appropriate initiative). The report provides an overview of potential challenges and partners (see chapters 3 to 5 of the report), advice and recommendations on how to design initiatives, and an opportunity to identify which tax administrations are pursuing similar initiatives (see Annex A of the report), so that planners of new initiatives can engage with them to gain further practical knowledge.

Of the 140 initiatives examined, 64 were aimed at teaching tax literacy (44%); they are widespread worldwide. The most common (43 initiatives) focused on students, followed by initiatives focusing on businesses (14) and individuals (7). Initiatives to build a positive relationship include a tax authority project involving celebrities in an event to drastically raise awareness and build on a person's reputation. For example, the National Revenue Authority of Sierra Leone has established partnerships with famous comedians and musicians who have become advocates for compliance. They then selected some live comedy and music shows to promote compliance behaviour among the large number of young taxpayers they attracted. As in the example, celebrities and influencers can<sup>[23]</sup> expand the scope of the event by promoting it to their fans and followers. However, these individuals should be carefully selected. Their tax morale should be of the highest quality and attract an audience that is targeted by tax authorities. This can also be a way to build a more positive relationship with taxpayers.

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<sup>[23]</sup> Reputed content creators on social media

Tax authorities can also use other media to engage with taxpayers in their daily lives. In Africa in particular, some tax authorities have institutionalised short, regular broadcasts that are broadcast just before the evening news. Each time these broadcasts deal with a different topic.

The results of the OECD survey clearly show that tax administrations place great emphasis on the education of prospective taxpayers. There is at least one such programme in 27 out of 59 respondents and more in 12 of the respondents. Tax administrations are very creative and the range of existing programmes is very wide, but they have in common the ability to reach most children of a given age group. Some initiatives target lesson teaching or discussions, competitions run by a teacher or a tax clerk, while others allow students to experience working in tax administrations directly in the offices themselves. The aim is not to say "taxation is important", but to show why it is important: It helps to build a better society. Many tax authorities are making efforts to make learning materials available to teachers, for example on a dedicated page on their website. Teachers are in direct contact with students and must first be convinced of the importance of taxation and then be able to convey an inspiring message to young people.

The report also shows that for programmes aimed at young people to be effective, they need to be pursued consistently over a number of years. This difficulty is common to all initiatives aimed at educating taxpayers, but it is exacerbated here. In order to maximise the impact of the programme, pupils should have access to educational programmes appropriate to their age at different levels of education, such as primary and secondary school and university. Schools and universities also provide a good environment for initiatives such as competitions and quizzes on tax issues.<sup>[24]</sup>

Encouraging voluntary compliance as early as possible generates the highest potential return by developing a lasting understanding and commitment to the tax system among future taxpayers. The school system also provides a well-established network through which such programmes can be implemented, while similar in-depth initiatives for adults tend to face obstacles in building a delivery network.

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<sup>[24]</sup> Like Japan, Lithuania or Spain, these can be fun and cause students to think for themselves why tax avoidance is wrong.

In the survey, initiatives targeting young people were the most common type of initiative: the 59 countries that responded to the survey provided 43 examples.

The policy options selected showed a wide range, but the majority of students in the responding countries acquire tax knowledge within the curricula or in extracurricular lectures.<sup>[25]</sup> Although tax administration staff are responsible for tax education in many cases, they generally lack the resources to do so, especially in large-scale programmes where taxation is part of the national curriculum. Instead, the role of the tax administration is usually 'restricted' to produce materials adapted to the educational level of the pupils targeted, which are often made available online or through textbooks. Developing digital resources can help expand initiatives. Competitions and quizzes are an opportunity to raise awareness of initiatives and can also be used to encourage students to think about the tax track. In many countries, competitions are held in which students have to write essays, letters or lectures on taxation (e.g. Japan, Spain).<sup>[26]</sup> The "Tax Expert of the Year" competition is organised for university students in several countries in cooperation with Ernst&Young Global Limited, the world's leading provider of audit, tax, transaction and business consulting services. The competition is divided into a semi-final, where participants use PowerPoint and a video presentation to solve a case study, and an international final, where students and young graduates from more than 30 countries compete for the title of 'Tax Expert of the Year' ([Source](#)).

The latest report published by OECD on 12 December 2024, produced together with the International Federation of Accountants and the Association of Chartered Certified Accountants, provides insights on public perceptions on tax and public trust in tax systems from twenty-six countries, primarily in Latin America, but also from Africa and Asia.

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<sup>[25]</sup> e.g. Mauritius introduced taxation for 7th and 8th grade pupils (12-13 years old) in the curriculum, while Kenya expanded the flagship school education programme by starting to include taxation in the curricula of 'carrying subjects' such as history and social studies. However, such wide-ranging programmes are not easy to implement as they require strong partnerships and significant resources.

<sup>[26]</sup> In Japan, for example, students write essays explaining why paying taxes benefits everyone; In 2017, more than 600,000 essays were submitted by high school students. In Spain, since 2008, high school students have to write a letter to a tax fraudster explaining why tax fraud is wrong.

It looks at attitudes towards taxation both in theory and in personal experience, providing new evidence on the state of the fiscal contract in the countries studied, as well as attitudes on tax competition and cooperation. It also looks at how trusted nine different actors, including politicians, tax accountants and social media, are as sources of information on tax, and how frequently they are consulted. The new data in this report complements previous OECD work on tax morale, which seeks to support efforts to increase tax morale in developing countries. A majority of respondents have positive views of taxpayer education: In all countries a majority of respondents had either received tax education at school and thought it useful (34.1% on average), or, while not having received such education themselves, thought it would have been useful (28.1% on average).

Although some projects initiated by EU Member States were already among the examples of countries mentioned above, it is important to mention the EU pilot project TAXEDU<sup>[27]</sup> (named after the words 'Tax' and 'Education'). It is important to note that young Europeans were consulted during the creation of the website and provided feedback on the content. The project succeeded in providing a wide range of educational materials, creating a network of supporters and running a successful communication campaign that produced various information materials to facilitate uptake at national level. The project aims to inform young European citizens about taxation and how it affects their lives, to reduce the risk of tax fraud and tax evasion across Europe and to inform European citizens about the services and facilities enabled by taxation (education, health, etc.). Information is conveyed through games, e-learning materials and micro-learning modules, so that young Europeans can learn about different forms of taxation and related issues (tax fraud, tax evasion, etc.) in a fun and attractive way. In addition, the teacher's corner offers resources, tips and tricks for teaching about taxation.

The TAXEDU web portal targets three age groups with personalized information: (1) *children*: the tools intended for them explain what the tax is and what benefits everyone can experience from paying the tax in their everyday lives. This section contains some surprising and fun facts about

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<sup>[27]</sup> The project was initially led by the European Parliament and the European Commission (DG TAXUD) and involved national tax administrations.

taxes across Europe to make learning fun. The language is simple and easy to understand; (2) *Teenagers*: This section is more detailed than the one intended for small children. It also includes specific examples that fit the interests of teenagers (music downloading, online shopping, etc.); and (3) *young adults*: offers information related to this stage of life, as young people are transitioning to adulthood (e.g. do they have to pay taxes when starting a university, starting a business, working in another country, etc.) The newsletters provide information on the latest initiatives in other Member States that have proven to be effective.

In Italy, the regional directorate of the Italian tax office (Agenzia delle Entrate) initiated the project "*Grandpa, I can help you!*". This project is a major step in digital inclusion.<sup>[28]</sup> The aim of the initiative was to help older people use online tax services by supporting young students. The aim of the project was to teach today's students how to use the tax authority's online services, as they will be the taxpayers of the future. Secondly, it wanted to increase the digital skills of older people, allowing them to manage their relations with the tax office independently. The initiative was very successful with the participation of more than 500 students and grandparents.

Between June and September 2023, the Ministry of Finance (MF), the National Bank of Romania (BNR), the Financial Supervision Authority (ASF) and the Romanian Banking Association (ARB) organised their fifth financial education camp for 6th and 7th grade students. In 2023, the project took place during a total of 16 one-week sessions in premises made available by the National Bank through its territorial departments. During the week spent in the camp, experts from the organising agencies explain what taxes are and what public goods they are used for, making the learning process fun for children and teenagers by using surprising and entertaining examples from taxation across Europe. All this is done using simple and easy-to-understand language. One of the most popular elements of the financial education camps was the demonstration of the 'dog team', which resulted from excellent cooperation over recent years with the experts

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<sup>[28]</sup> reducing the digital divide and ensuring equal access to knowledge, opportunities and resources by involving different social groups lagging behind



of the Romanian Customs Authority, as demonstrated by the children's enthusiasm. In fact, the programme uses a non-formal education methodology called 'edutainment' (education through entertainment) - multisensory techniques that result in faster learning. Children were constantly involved in the process of financial education in an interactive way and games were organised to present important financial concepts, so students learned and had fun at the same time. As part of the urban financial education camp, a second session for disadvantaged children was organised in 2023 in Sinaia, a picturesque mountain town 140 km from Bucharest. The purpose of the choice of location was to create a pleasant atmosphere in which financial knowledge can be acquired at an optimal level. Financial education occupies a strategic place on the agenda of all public institutions that have tasks and responsibilities in this regard. The common goal of the program is to increase the level of financial knowledge among Romanian students.

Ireland hosted the first face-to-face meeting of the Fiscalis Project Group on Tax Education (FPG 031) in November 2023.<sup>[29]</sup> During the one-and-a-half-day meeting, several section meetings were organised. The section meetings provided delegates with an opportunity to share experiences, research and advice from their work on national tax education. Delegates proposed solutions to common challenges, provided advice on the design, promotion and implementation of tax education initiatives, and examined further plans of the project group.<sup>[30]</sup>



<sup>[29]</sup> The tax authorities of Austria, Italy, Lithuania, Malta, Slovakia, Slovenia and Spain were represented at the meeting.

<sup>[30]</sup> At the end of the meeting, the chair of the project group was formally transferred from the Irish tax administration to the Italian tax administration.

## Domestic initiatives

In 2015, Hungary joined European Money Week as a founder, at the initiative of the Hungarian Banking Association, with the professional support of the Money Compass Foundation.<sup>[31]</sup> Hungary has also been a key participant in the Global Money Week programme organised by the OECD/INFE for several years. The aim of the program is to lay the foundations of financial knowledge for primary and secondary school students and to create a wide-ranging professional cooperation between organisations and institutions active in the development of financial awareness.<sup>[32]</sup>

Among the digital educational materials, short films and quizzes (Kahoot quizzes), primary and secondary school students can get acquainted with the economic role of the state. Within the framework of the program, the staff of the National Tax and Customs Administration has also been holding interactive group work sessions on the topic of tax awareness for students as volunteers for years. During the lessons, students can get acquainted with taxation through playful tasks, why tax is to be paid and what services are provided by the state from what has been paid as tax. The programs of PÉNZ7 (it means Money Week programme in Hungarian) will be further enriched in connection with the theme week within the framework of an open-air special class program, the Money Run, where students will have to solve a series of financial problems during an adventure with different tracks. Each registrant institution receives from the organisers the logo 'PÉNZ7' Schools – for consciously developing students', in recognition of their active activity in the field of economic and financial education.

Acknowledging the results of the program, which reaches more and more students year after year, in 2017, 2018 and 2019 the Hungarian PÉNZ7 was included among the most successful programs of the Global Money Week announced by Child & Youth Finance International. At this year's jubilee round, OECD Secretary General Mathias Cormann welcomed the Hungarian

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<sup>[32]</sup> In the 2023/2024 academic year, we were able to develop the financial and entrepreneurial preparedness, awareness and attitude of more than 203,000 students with the jubilee curricula of PÉNZ7. The number of teachers registered for the programme exceeded 2,000 this year, with applications from 1,290 schools. 662 financial and entrepreneurial volunteers helped with the lessons.

PÉNZZ in a video message, highlighting in particular Hungary's commitment to developing the financial awareness and knowledge of young people. However, the greatest success - and the basis of international recognition - is that schools, teachers and through them students participate in an exceptionally high number of theme weeks year after year.

The PÉNZZ programme also supports the implementation of the objectives of the National Strategy for Financial Awareness adopted by the Government in 2017 and the SME Strategy 2019-2030 (Strategy for the Strengthening of Hungarian Micro, Small and Medium Enterprises), which aims to develop Hungarian micro, small and medium-sized enterprises.

## Summary

In particular, initiatives targeting future taxpayers are likely to experience long time lags between the implementation of the initiative and its impact on taxpayer behaviour. In many cases, and especially in the case of younger children, it may take many years for an individual's tax morale to increase. This makes it even more difficult to monitor the impact of such programmes on behaviour, as shown by the lack of in-depth impact assessments of the responses to the OECD surveys. In addition, however, a *qualitative assessment of the initiatives* is possible and many programmes show a high level of satisfaction. While such surveys may not be able to track the final impact of initiatives, they provide valuable feedback on how effective the materials produced are as educational tools and on how to improve the delivery of courses.<sup>[33]</sup>

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<sup>[33]</sup> Participants in webinars in both the United Kingdom (UK) and Germany reported positive results. In the UK, the customer satisfaction rate for webinars in the 2018/19 academic year was 88.81%. In Germany, the Ministry of Finance conducted a survey of secondary school teachers participating in their initiative, 94% of whom were very satisfied with the teaching materials. Surveys can also provide valuable feedback to improve the design of initiatives. In Greece, the Independent Tax Administration of the State Tax Administration conducted a survey highlighting individual teaching style and technical infrastructure in schools as key factors. Some programmes have shown short-term effects on both knowledge and perception. While long-term effects on tax compliance can be difficult to monitor, short-term effects on participants can be assessed on the basis of what has been learned in the initiatives. Slovenia conducts surveys on attitudes towards taxation, which are compared between students participating in the initiative and those not participating in the initiative. The results strongly show that those who took part in the initiative had a more positive attitude towards taxation and had more knowledge than those who did not.

In addition to obligations, *it is important that tax authorities highlight how taxes are used and allocated.* For taxpayers, *demonstrating the social utility of taxes can help to change their approach to taxes.* In order to be more cooperative, citizens need to be aware that contributing to taxes benefits all citizens, including them. On its website ([www.economie.gouv.fr](http://www.economie.gouv.fr) <https://www.aquoiserventmesimpots.gouv.fr/>), the French Ministry of Economy and Finance has devoted a specific section to explaining the benefits and the use of taxpayers' money under the heading 'What are my taxes for?' (*À quoi servent mes impôts?*).

As well as a dedicated website, it is also possible to include such information in tax returns or in larger initiatives such as an information campaign. The message can take many forms, such as graphs or texts, *but it is most effective when taxpayers can identify with it, and taxes and tangible benefits can be combined for them.* (e.g. in Côte d'Ivoire, photographs illustrate what it means to modernise infrastructure, hospitals and schools - Source: DGI Côte d'Ivoire).

Set within the growing international literature on tax morale, the comparative data available in the international surveys referred can form the basis of conversations between tax stakeholders to improve the operation of tax systems across the globe. Despite the many challenges faced by governments and tax authorities, our mission is to increase awareness about the understanding of importance of taxation, to educate the younger generation to build trust and moral behaviour in the future taxpayers as well.

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