Appendix

Matching Regression Results

Some firms do not report their tax return on time for various reasons. As a result, we were not able to retrieve the tax return data for all the taxpayers under our experiment. Although there is no discernible pattern on tax payers that we were not able to reach in terms of observable characteristics (such as location), we have nonetheless used treatment effects estimators for robustness. We have made the assumption that the outcome is conditionally independent of the treatment to identify the treatment effect. We have used location (sub-city), sector (which has three categories), and legal status for matching and have estimated the average treatment effect using nearest neighbor matching estimator. Exact matching is used for location and sector. Not surprisingly, the result is close to that of the OLS regression.

Appendix Table 1: The Impact of Treatment on Profit Tax

VARIABLES	(1)	(2)
Persuasion	0.42***	
	(0.107)	
Coercion		0.61***
		(0.100)
Observations	1,588	1,642

*Standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1*

Linear Probability model

A number of taxpayers declared zero tax payable in the 2013/14 fiscal year. We dropped these observations from our sample as the experiment is not likely to affect these taxpayers. However, there may be a possibility for the experiment to induce zero reporting, and in that case dropping the zero declarations could bias our results. We run a linear probability model to test if the zero declarations are related to the experiment. As the results in Panel A & B of Table 2 show, the experiment does not significantly affect the probability of zero declaration.

We also used the linear probability model to see if the experiment has any effect on the probability of declaring positive and higher tax payable in the post treatment period. This model measures the likelihood that declared profit tax is positive and larger than the previous declared profit tax. The results in Panel C & D of Table 2 show that the probability of declaring positive and higher tax payable is higher by about 9 percent among businesses in the treatment group.

Appendix Table 2: The Impact of Treatment on Profit Tax

VARIABLES	(1)	(2)	(3)	(4)
Persuasion	0.01	0.02	0.09***	0.09***
	-0.019	-0.018	-0.019	-0.019
Coercion	0	0.03*	0.08***	0.09***
	-0.018	-0.017	-0.018	-0.019
Constant	0.69***	0.87***	0.29***	0.55***
	-0.012	-0.073	-0.011	-0.09
Observations	3,730	3,730	3,730	3,730
R-squared	0	0.138	0.009	0.033
Control	No	Yes	No	Yes

*Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1*