



**SDI Review Form 1.6**

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| Journal Name:            | <b><u>British Journal of Economics, Management &amp; Trade</u></b> |
| Manuscript Number:       | <b>2014_BJEMT_15345</b>                                            |
| Title of the Manuscript: | <b>Is tax amnesty good for tax evader?</b>                         |
| Type of the Article      |                                                                    |

**General guideline for Peer Review process:**

This journal's peer review policy states that **NO** manuscript should be rejected only on the basis of '**lack of Novelty**', provided the manuscript is scientifically robust and technically sound.

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**PART 1: Review Comments**

|                                     | Reviewer's comment                                                                                                                                                | Author's comment (if agreed with reviewer, correct the manuscript and highlight that part in the manuscript. It is mandatory that authors should write his/her feedback here)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
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| <b>Compulsory</b> REVISION comments | <b>The paper lacks practical applications. It discusses the behaviour expect of tax evaders but it does not explained into a context to prove it practically.</b> | <p>In this manuscript, we began with addressing tax amnesty issues from different perspectives and setting up tax amnesty models exactly to assess that people who participated in tax amnesty program after the government had approved an amnesty for tax evasion may not honestly report the whole amounts of evaded tax, thus committing a secondary tax evasion. Our paper provided mathematical explanation for tax evaders' behavior, throughout the classical financial economics theories on utility and risk aversion in an intellectual way. Our examination of several extensions of tax amnesty models in line with the famous "puzzle of compliance" experimental results proposed by Diego and Luca (2011), demonstrating the reason that tax evaders are willing to participate in tax amnesty plans despite the probability of the exogenous variables "penalty rate" and "probability of tax evasion activities being discovered" being low. Unfortunately, existing theories of tax amnesties may have neglected the influence of this condition on expected utility and the income and risk behavior of tax evaders along with the reason for lacking empirical results.</p> <p>We want to thank anonymous referee for the helpful comments. Some helpful suggestions will be well taken into our future work.</p> |



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| <b><u>Minor</u></b> REVISION comments | <b>Several conclusion statements are made without support and/or the source(s) are not referenced. Examples are lines 30, 31 (discussion began in 1980 (only 34 years not 40), 31-41, 130, 282, etc.</b> | <p>Thank you very much for pointing out our errors. We apologize for the loose-ends and the errors have been corrected.</p> <p>As mentioned above, with the number of vacancies on current empirical literatures discussing tax evaders who participated in a tax amnesty program, tax evaders may not honestly report the whole amount of evaded tax, thus committing a secondary tax evasion. This paper adopted a different approach to set up theoretical model and examine the result. Our conclusions are in accord with the empirical finding from Diego et al. (2011), as noted in our manuscript. Also, as mentioned in our conclusions, we find that during the initial assessment period of the tax amnesty plan, tax revenue drastically increased. However, because tax payers are exempted from fines and not required to pay overdue taxes when the assessment period ends, tax revenue stably declined and ultimately converged on a fixed value. Our conclusion is in line with most tax amnesty plans, recently implemented in the United States, which reveals that all states' first amnesty plans result in a short-run increase in revenue. In addition, as can be seen from the empirical finding in Luitel et al. (2007), tax amnesty has a declining marginal benefit to the state, which is in line with the models we employ. In other word, these empirical evidences reinforce the results obtained in our mathematical solutions.</p> <p>We want to express our gratitude to anonymous referee and the editor for immense practical and helpful comments on our paper.</p> |
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| <b><u>Optional/General</u></b> comments | Ethical issues:<br>Provision of facts without referencing the source. | <p>Thank you very much for pointing out our errors.</p> <p>After a careful examination of our paper thoroughly, we had identified and corrected two piece of reference materials from the internet for the information we had included in our manuscript.</p> <p>We want to thank anonymous referee and the editor for their helpful comments and suggestions.</p> |
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