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

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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)
Compulsory REVISION comments	There were a number of sentence structure errors. It is expected that authors should address these before submitting papers for review. In this regard, for example, the title should read: "...for tax evasion" or perhaps "...for the tax evader". Moreover, the following suggests to me that the authors did not review their work before submitting: Line 7: "programson" Line 14: "intax" and "programprovides" ...and many more. Please note that it makes it really difficult to follow the storyline if words are typed incorrectly. Line 49: Please explain how tax amnesty will result in a reduction (reduction of what, total tax revenue, amnesty revenue, or what) Line 54: Please correct the sentence structure error and review remaining document for more sentence structure errors. Lines 82 to 89: The paper refers incorrectly to chapters, this should perhaps be sections. Lines 91 to 151: Consider improving the flow of the argument between the number of fomulas used. Lines 153 to 275: Please reconcile the content to the	Sincere thanks to the anonymous referee for pointing out the typos and deficiencies. The typos on lines 7, 14, 54, 82-89, 91-151, 153-275, and 277-336 have been corrected. We have made necessary explanations line 49. Tax evasion happened twice while government implements the states' tax amnesty programs, and it influences states' long-term revenue. However, there is still a lack of relevant literatures and empirical evidences. In addition, as mentioned in the manuscript, empirical evidence is not the primary objective of this study. More precisely, we showed that an increase in individual income leads to a decrease in tax compliance under tax amnesty program. The main purposes of our paper are to extend the theory of risk aversion by indicating the preference implications of tax evaders and to correct the prevailing notion. Hence, in order to investigate this issue further, our model incorporates the assumption that a secondary tax evasion under tax amnesty program to evaluate tax evader' expected utility



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	objectives in lines 82 to 89. Lines 277 to 336: Provide a better explanation of the proposition Conclusion It is not clear how the conclusions could be reached based on formulas only. No data was used in the study and the assumptions were reached based on formulas that was not tested or utilised. The authors should maybe clarify this in a separate methodology section. The last sentence does not help the arguments at all (“not complete enough to provide insights”)...what is the purpose of the paper then and why should anybody read it.	and risk-related decisions. In comparison with the situation of no tax amnesty programs, our model denotes that a tax amnesty program brings immediate and short – run revenue impact which is in line with the successful experience recently implemented in the United States and many countries as mentioned in our paper. By virtue of proofs, we nevertheless have doubts about the long-run revenue impact of a tax amnesty program which is in line with the suggestion made by Alm et al. (2009). We still conclude that if honest taxpayers resent the special treatment of tax evaders and if individuals come to believe the amnesty is not simply a one-time opportunity, when the assessment period ends, tax revenue stably declined and ultimately converged on a fixed value. As it can be seen from the empirical finding in Luitel et al. (2007), tax amnesty has a declining marginal benefit to the state which is also in line with the models we employ. Hence, these empirical evidences can reinforce the results obtained in our mathematical solutions. In this section, we summarize that tax amnesty program brings immediate and short-run impact, but we also have doubts about the long-run revenue impact of a tax amnesty. In addition, our conclusions accord with the preference interpretation of Arrow-Pratt theory of risk aversion. From the preceding, it can be seen obviously that the cubic utility function of a tax evader is strictly increasing. That is, under
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		such conditions, joining tax amnesty program can be more beneficial than not joining such tax amnesty program to tax evaders. We thank the anonymous referee and the editor for helpful comments on this and related work. In summary, our conclusions in this paper not only base on stringent formula derivations but also empirical evidences. We have the last sentence deleted and we want to thank the editor and anonymous referee for the helpful comments and suggestions on our manuscript.
<u>Minor</u> REVISION comments		
<u>Optional/General</u> comments		