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Greek tax evasion, mapped and crunched

Posted by **Paul Murphy** on Sep 04 15:17.

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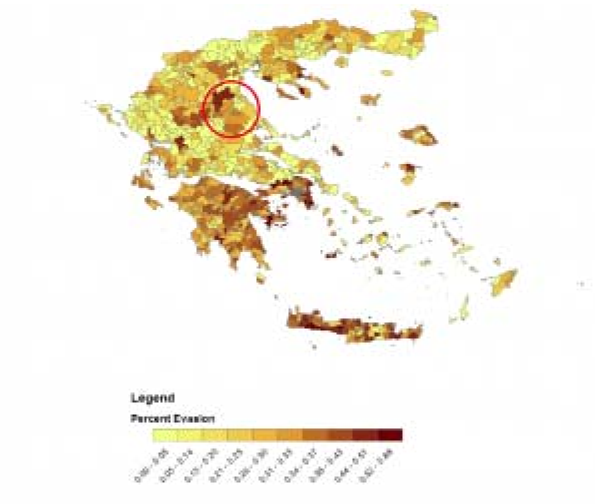

The circled area – and, specifically, the dark area in the middle of the circle — is Larissa, home (reportedly) to the greatest concentration of Porsche Cayenne owners in Europe.

The map comes from this intriguing study — Tax evasion across industries: soft credit evidence from Greece.

Authors: Nikolaos Artavanis, Virginia Polytechnic Institute and State University: Adair Morse, University of Chicago Booth School of Business, NBER; Margarita Tsoutsoura, University of Chicago Booth School of Business.

Abstract:

> *We begin with the new observation that banks lend to tax-evading individuals based on the bank's perception of true income. This insight leads to a novel approach to estimate tax evasion from privatesector adaptation to semiformality. We use household microdata from a large bank in Greece and replicate bank models of credit capacity, credit card limits, and mortgage payments to infer the bank's estimate of individuals' true income. We estimate a lower bound of 28 billion euros of unreported income for Greece. The foregone government revenues amount to 31 percent of the deficit for 2009. Primary taxevading occupations are doctors, engineers, private tutors, accountants, financial service agents, and lawyers. Testing the industry distribution against a number of redistribution and incentive theories, our evidence suggests that industries with low paper trail and industries supported by parliamentarians have more tax evasion. We conclude by commenting on the property right of informal income.*

What the researchers have done here is source thousands of credit applications for one of the bigger Greek banks, discovering in the process that the average self-employed Greek spends 82 per cent of their monthly reported income on servicing debt. In the case of the professions — lawyers, doctors, financial services and accountants — the ratio rises above 100 per cent.

Given that an upper cap of 30 per cent incoming/lending ratio is pretty much standard across Western banks (and that Greek banks are themselves applying an evasion-savvy formula to access the real payment ability of their customers), the academics have then extrapolated the likely amount of income being hidden from the authorities.

Answer for self employed in Greece: **€28bn, annually.**

Here's how taxes are dodged, by occupation. Those tending the land are noticeably more honest, if less likely to pay borrowed money back.

	Monthly Reported Income	Monthly Debt Payments	Ratio of Payment/ Income	Annual Delinquency Probability
Accounting & Financial Services	1,479	1,701	1.15	0.11
Agriculture	984	538	0.55	0.26
Business Services	1,200	825	0.69	0.20
Construction	1,128	719	0.64	0.20
Doctors & Medicine	1,628	1,660	1.02	0.06
Education	1,214	1,099	0.91	0.19
Engineering & Science	1,511	1,264	0.84	0.08
Fabrication	1,731	1,607	0.93	0.20
Law	1,558	1,647	1.06	0.07
Lodging & Restaurants	1,234	1,305	1.06	0.21
Media & Art	1,351	1,064	0.79	0.16
Other	1,333	1,066	0.80	0.23
Personal Services & Pharmacy	1,394	1,301	0.93	0.20
Retail	1,640	1,758	1.07	0.22
Transport	1,412	1,424	1.01	0.16
Overall	1,289	1,057	0.82	0.20

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Comments

BBB+, according to the linked research the income to debt ratio is the ratio of the income declared on the application for debt and the resulting debt extended to the applicant by the bank at the time of the application. In other words the two figures correlate closely in time so I don't think that your particular what if is an issue in this research.

@paul murphy:

table 8:
Far more interesting!

Oh, and table 10:
There are 2m assessments on 9m citizen, of which approximately only 6m (less children) can actually be taxed? ....

Huh, 33% assessment rate is pretty high for a country.

What if these are debts incurred during the good times and incomes have fallen since then? That would be my line anyway.

@dubito - apol -- clicking should now work

The "click to enlarge" just does not make it.
