Tax accountants: tax-evasion facilitators or information hubs?

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Abstract

We use tax records data for the population of sole proprietorship taxpayers in seven regions of Italy to study the role of tax accountants. We first document that taxpayers evasion is systematically correlated with the average evasion of other customers of the same accountant. We then exploit the unique structure of our data-set to study the channels through which these social spillover effects are generated. Guided by an equilibrium model of tax compliance with tax accountants and auditing, we highlight two mechanisms that may be behind this phenomenon: *self-selection* of taxpayers who sort themselves out into accountants of heterogeneous tolerance for tax evasion; and *informational externalities* generated by the tax accountant activities. We provide evidence supporting the presence of both mechanisms.