

# VOICES FOR CHANGE: AUSTRALIAN PERSPECTIVES ON TAX ADMINISTRATION

Guest Editors

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## Introduction

Taxation nestles in a basket of activities that trigger a degree of societal discomfort. The discomfort arises from different kinds of ambivalences that are familiar and pervasive. On the one hand, taxation is a drain on our individual wealth, regardless of whether we are poor or rich. On the other hand, we pay taxes because we want to live in a democracy that aims to further the common good, even if we are mystified by how government interprets "the common good" from time to time. These sources of ambivalence are ones that are shared by members of any group who have given up individual freedom for a collective purpose. Other sources of ambivalence arise because we find ourselves at odds with each other, oftentimes with significant others in our families, workplaces, and community groups. Some in our society pay tax with a warm inner glow, others with looks that could kill. Still others find ways of escaping from their taxpaying responsibilities altogether. We look to tax authorities to do their job and make everyone pay. And at the same time, we cringe at the coerciveness of enforcement processes. At no time more so, than when we, as innocents, are caught up in unwieldy bureaucratic legalistic interpretation that puts us in the category of "the bad guy" or "tax cheat".

These varied depictions of taxation and its administration will strike a chord with most people. Surveys conducted by The Australian National University's Centre for Tax System Integrity<sup>1</sup> over the past three years have attested to the complex ways in which people respond to taxation, as well as to the deep ambivalence people feel on the subject. Incongruities between the social goals

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of equality and freedom, order and disorder, and between personal goals of what we should do, what we actually do, and what we see others do, unavoidably generate discomfort within and tensions among ourselves. Taxation, with its purpose of binding us together through ensuring a fair distribution of resources, is ironically grounded in conflict. In these circumstances, it is little wonder that institutions associated with taxation are segregated from other aspects of governance and civil society.

Of somewhat greater puzzlement is the way in which the social commentary on taxation that takes place in public space strips the topic of all its ambivalence and complexity. The public discourse on taxation can be summed up with three concepts: "at the taxpayers' expense", "tax minimisation" (or more recently "tax effectiveness"), and "tax cuts". The keywords represent abuse — abuse of power, abuse of privilege, and retaliation against abuse, real or imagined. For these reasons, mention of tax system integrity seems at best foolishly idealistic, a contradiction in terms to the many Australians who take their lead on tax matters from the media and popular culture.

How can a system that is publicly associated with abuse of the individual possibly aspire to the state of grace that is implied by the term integrity? This special issue of the *Australian Journal of Social Issues* has been compiled with the view that integrity is not only possible for tax systems, but also essential if democracy is going to work for the mass of the people that it supposedly represents. Integrity means no more than soundness of purpose and having the means for achieving this purpose that is respectful of democratic ideals and institutions. But in order to achieve integrity, the tax system and those who administer it have to engage with the people of the democracy with regard to what they are doing and how they are doing it. Integrity cannot be achieved if a tax authority listens only to experts and the government of the day. Experts provide understandings of consequences of actions and governments set directions for action, but people themselves hold the key to whether or not they will cooperate, in an administrative sense, with the tax authority. And their sophistication, or perhaps cynicism, about power and how it works means that cooperation cannot be bought cheaply.

This special issue seeks to reinforce recent calls for a more open and inclusive public debate about the tax system, what it should do and how it can be

reformed (Fraser, Boucher, Freeland, Gregory & McClelland 1999; Fabian Society 2000). The voices that feature in this issue are neither representative nor exhaustive of the voices that need to be heard. But they do showcase some of the reasons why taxation gives rise to so many passions – hope, despair, anger, outrage, defiance, frustration, disdain, suspicion, and deference. In neither the academic nor popular press do emotion and relationships loom large as concepts used to explain the motivations of taxpayers. But underlying all these papers lies a story about relationships — between taxpayers and between taxpayers and the tax office — and the thinly veiled emotions that define where these players stand in relation to each other. Institutions tend to lock actors into these positions, their views of each other and their ways of interacting becoming entrenched and habitual. Current accounts of dialogue between taxpayers and tax officers revolve around such positional plays. Consultation forums are structured around interest groups or stakeholders, the unwritten assumption being that groups should be rationally driven by outcomes that favour their own group, quite possibly at the expense of others. But how fixed are these interests and their incumbent identities, relationships and emotions? If we are to believe the work of our colleagues such as Michael Wenzel (2002), Natalie Taylor (2003), and Ian Ayres and John Braithwaite (1992), the answer is “not very”. If we change institutional practices, if we change the nature of the debate about taxation, it is quite conceivable that identities will change, interests will become more inclusive, and new opportunities will emerge for moving the tax reform process forward toward a mutually acceptable outcome.

The six papers in this issue seek to provide a more complete understanding of the taxpayer and his or her relationships with the tax office and other taxpayers. At the broadest level, Gregory Rawlings, and Jenny Job and Monika Reinhart present papers about how citizens connect with institutions such as the Australian Taxation Office (ATO). We then proceed to narrow the focus to particular social groups in a bid to uncover the relationships that are driving the willingness of Australians to cooperate with tax authority. Valerie Braithwaite analyses the resentment that the overwhelming majority of Australians feel toward the wealthy and privileged whom they see as not paying their fair share of tax; Gil Geis, Sophie Cartwright and Jodie Houston survey the varied and contradictory influences that shape the behaviours of tobacco farmers as they face an ominous future in a dying industry; and Kristina Murphy tells the story

of Australians caught up in mass-marketed tax effective schemes who relied on expert advice and trusted networks, only to find themselves on the wrong side of tax law. Finally, Michael Wenzel and Natalie Taylor ask the very important question, how can a tax office re-design itself to be responsive to the various impediments that arise to Australians cooperating with the tax office. Hearing voices of dissent is one thing, responding in a responsible and effective way is another. Their argument for evidence based tax administration — trialling interventions and experimentally evaluating their effectiveness — rests on the notion that demands for responsiveness from the tax system are on the increase in a globalised world where taxpaying is becoming increasingly voluntary for the mobile and the wealthy.

The papers appearing in this issue represent a more recent genre of taxation research that has a distinctly social character. Scholarship on taxation has traditionally been dominated by law, accounting, commerce and specialised fiscal studies concerned with revenue collection and expenditure. This research has been of immense value in enhancing understandings of actuarial specificity and the politico-legal contexts that frame taxation debates. But such approaches to taxation have been increasingly complemented by insights from other social sciences, that broaden the debate in recognition of the wide diversity of actors who participate in taxation, including tax advisors, financial planners, regulators, tax office personnel, and above all and most importantly, citizens; “taxpayers”, whose cooperation is crucial in the maintenance of a viable revenue system. Without institutional legitimacy and consent to tax from the public, the tax office would be incapable of fulfilling its mandate.

People may not like or agree with particular forms or levels of taxation, but the presence of a large majority who by and large choose to voluntarily comply with the state’s fiscal requirements is a major force in sustaining polity, society and economy alike. On the other hand, we need to recognise that there are individuals and groups who may not only disagree with the state’s power to tax, but actively pursue measures designed to minimise or avoid their tax liabilities. This is not necessarily a problem of itself; individuals and groups who attempt to circumvent their tax obligations can often be brought back into the system through varying measures of negotiation and persuasion, along with sanction and coercion. Inevitably, the tax system involves both contestation and cooperation. While cooperation and compliance are the key goals of any revenue authority, contestation is not an unsolvable threat and may contribute

to dynamic, responsive and effective tax administration. However, if contestation moves on to widespread non-compliance that authorities seem not to notice or fail to take action over, then the entire tax system may be brought into disrepute, threatening its legitimacy and coherence. This may undermine the consent and cooperation that is so vital in maintaining institutional integrity and relevance in the intersecting social worlds of the citizenry.

If the dialectic between cooperation and contestation sustains a tax authority then we must ask why, how and when do some people cooperate and others not? How do these postures influence perceptions of tax administration, both systemically and institutionally? Third, how do these perceptions affect past, present and future behaviour? The contributions in this collection explore these questions. They reflect a growing body of scholarship in the social sciences concerned with regulation and complement more established disciplinary approaches to taxation. Drawing from backgrounds in criminology, psychology, sociology and anthropology, the authors in this issue explore the ways in which tax administration is implicated in notions and perceptions of justice, institutional design, trust, fairness, equity, and socio-economic change. There are many ways of knowing what we know, and the articles presented here illustrate the methodological strengths that each discipline can bring to the field of taxation scholarship. We have incorporated articles that invoke both quantitative and qualitative methods, with statistical analysis juxtaposed with narrative ethnography, both telling compelling stories of what it means to be a taxpayer in Australia today. Inter-disciplinary diversity is thus synthesised by pan-disciplinary themes and trends that emerge in tax administration. Cross-disciplinary insights lead us to suggest that it is crucial to recognise that people's perspectives, grounded in perceptions with their own cognitive and cultural logics, play a fundamental part in Australian tax administration. These perspectives need to be considered in tandem with tax administration. The ATO's Compliance Model and Taxpayers' Charter signal the importance of "listening to the community". In this collection we hear some of their voices.

## Notes

- 1 The Community Hopes, Fears and Actions Survey 2000; The Community Participation and Citizenship Survey 2000; The Australian Tax System — Fair or Not Survey 2001–2; The Australian Tax System Survey of Tax Scheme Investors 2002; The What's Fair and What's Unfair Survey about justice issues in the Australian tax context 2002.

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