

**THE COMMUNITY HOPES, FEARS
AND ACTIONS SURVEY:
GOALS AND MEASURES**

Valerie Braithwaite



The Australian National University
Australian Taxation Office

Centre for Tax System Integrity



WORKING PAPER No 2
March 2001

**THE COMMUNITY HOPES, FEARS
AND ACTIONS SURVEY:
GOALS AND MEASURES**

Valerie Braithwaite

SERIES EDITOR

Tina Murphy

Centre for Tax System Integrity
Research School of Social Sciences
The Australian National University
Canberra, ACT, 0200

ISBN 0 642 76801 3

ISSN 1444-8211

WORKING PAPER No 2

March 2001

© *Centre for Tax System Integrity, Research School of Social Sciences,
Australian National University 2001*

© *Commonwealth of Australia 2001*

National Library of Australia
Cataloguing-in-Publication data:

Braithwaite, V.A. (Valerie A.), 1951-
The Community Hopes, Fears and Actions Survey: Goals and Measures

Bibliography
ISBN 0 642 76801 3

1. Taxation - Australia - Public opinion. 2. Public
opinion - Australia. I. Centre for Tax System Integrity.
II. Title. (Series: Working paper (Centre for
Tax System Integrity); no. 2).

336.200994

*If you would like to make any comments on this working paper please contact the author
directly within 90 days of publication.*

Disclaimer

This article has been written as part of a series of publications issued from the Centre for Tax System Integrity. The views contained in this article are representative of the author only. The publishing of this article does not constitute an endorsement of or any other expression of opinion by the Australian National University or the Commissioner of Taxation of the author's opinion. The Australian National University and the Commissioner of Taxation do not accept any loss, damage or injury howsoever arising that may result from this article. This article does not constitute a public or private ruling within the meaning of the *Taxation Administration Act 1953*, nor is it an advance opinion of the Commissioner of Taxation.

THE CENTRE FOR TAX SYSTEM INTEGRITY WORKING PAPERS

The Centre for Tax System Integrity (CTSI) is a specialized research unit set up as a partnership between the Australian National University (ANU) and the Australian Taxation Office (Tax Office) to extend our understanding of how and why cooperation and contestation occur within the tax system.

This series of working papers is designed to bring the research of the Centre for Tax System Integrity to as wide an audience as possible and to promote discussion among researchers, academics and practitioners both nationally and internationally on taxation compliance.

The working papers are selected with three criteria in mind: (1) to share knowledge, experience and preliminary findings from research projects; (2) to provide an outlet for policy focused research and discussion papers; and (3) to give ready access to previews of papers destined for publication in academic journals, edited collections, or research monographs.

Series Editor:
Tina Murphy

The Community Hopes, Fears and Actions Survey: Goals and Measures

Valerie Braithwaite

The Community Hopes, Fears and Actions Survey was developed to obtain a snapshot of the beliefs, attitudes, values and motivations held by Australian citizens in relation to the Australian Taxation Office (Tax Office), the tax system, Australian democracy, and fellow taxpayers in 2000¹. The survey was conducted during the introduction of a new tax system when Australia was changing from a country without a goods and services tax (GST) to one with such a tax.

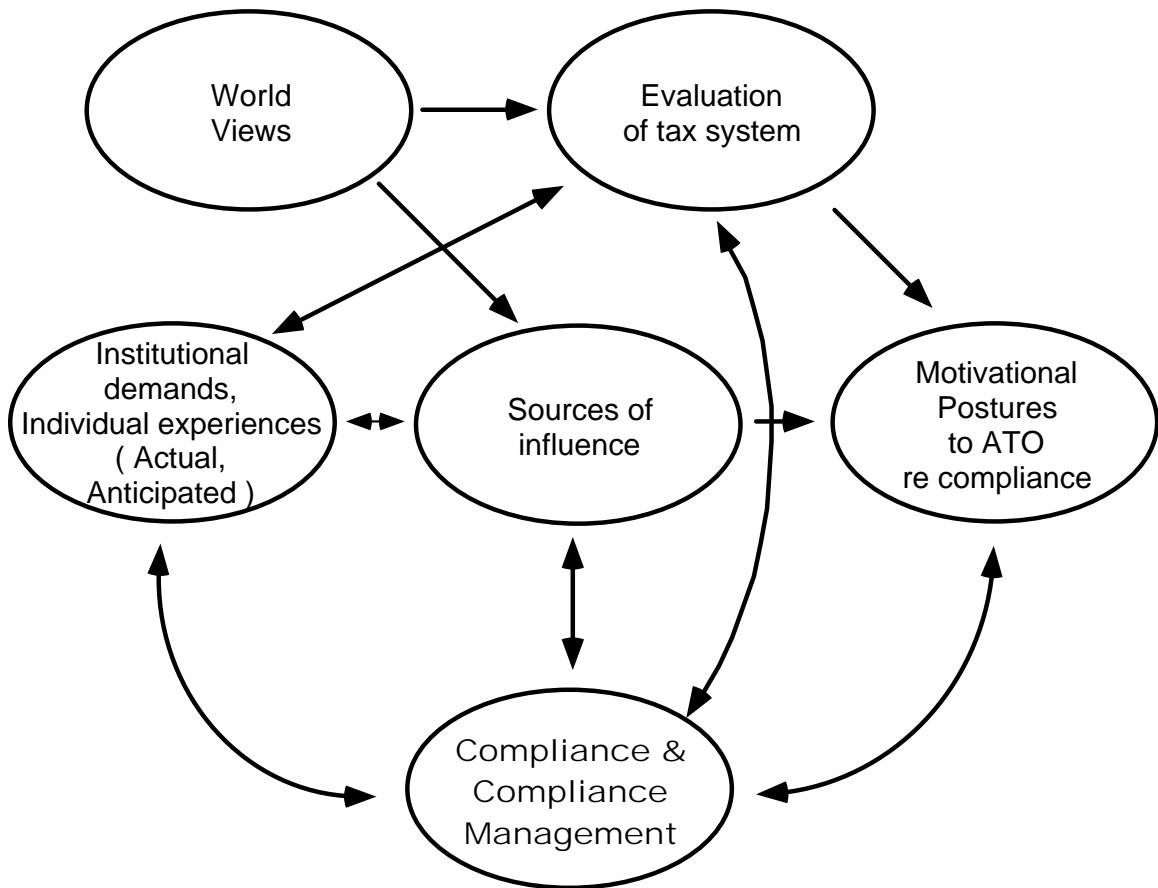
Questionnaires were posted to a random sample of Australians in late May and early June 2000, with subsequent mailings in late July and early August. Some 7754 names were chosen at random from the publicly available electoral rolls. The response rate for the survey was 29%. Full details on the methodology of the study appear in Working Paper No. 4 (Mearns & Braithwaite, 2001).

The design of the survey was based on the following assumptions and propositions about tax compliance:

- (a) Individuals are consciously aware of their own compliance behaviour in the area of taxation.
- (b) The degree to which individuals believe they are complying with the law may not correspond to tax officer assessments of whether or not they are complying.
- (c) The gap between the compliance beliefs of the taxpayer and tax officer is attributable to error on the part of either, different interpretations of what the law means, a desire to 'beat' the other, or some combination of these factors.
- (d) The survey can examine only taxpayer perceptions of their compliance behaviour. Tax officer assessments and the gap between taxpayer perceptions and tax officer assessments are topics that are out of scope, although clearly important in examining the integrity of the tax system.
- (e) Compliance is shaped by broad and relatively enduring factors that determine how individuals position themselves in relation to a regulatory system. An example of such a factor would be confidence in the system, that is, a belief that the system was legitimate and that it was going to last.
- (f) Compliance is also shaped by specific factors that are bound by time and place. An example of such a factor would be physical well-being at the time of tax lodgment, or competing family or work obligations.

¹ We wish to acknowledge the expertise and support of Malcolm Mearns and Rachelle Graham from Datacol who assisted in the development and design of this questionnaire.

- (g) The focus of this study is on the broad and relatively enduring factors because these are most important to questions relating to the redesign of tax systems.
- (h) Through studying the more general and enduring drivers of compliance in individuals, principles can be extracted for managing the change process in the tax system, and steering such change in directions that do not undermine the legitimacy of the system.
- (i) The general model guiding the development of this questionnaire is as follows:



Each cluster of variables is described in the sections that follow, with reference to the items in the questionnaire that represent the particular construct. For instance, a number of questions are asked about world views. World views refer to our underlying beliefs about the kind of world we live in and want to live in. Such views are expected to influence the way we see the tax system and who is likely to influence and change our views, as indicated by the arrows in the above model. All the questions in the questionnaire that relate to world views are described in the next section of this working paper. We also identify their location in the questionnaire. The working paper proceeds to define each of the clusters described in the above model.

The unit of analysis for the model is the individual. Aggregated responses to the variables belonging to each cluster in the above model go to the heart of assessing the integrity of the tax system. Thus aggregated responses provide insight into areas of weakness for maintaining high tax system integrity. These issues are discussed in a forthcoming working paper.

WORLD VIEWS

(1) *Social values and personal values (Section 1)*

Measured through the goal, mode and social values inventories (Braithwaite & Law, 1985).

Constructed scales are:

- international harmony (p 1-2, 1.1, parts 1, 2, 3, 4, 6, 7, 9, 11, 13, 16)
- national security (p 1-2, 1.1, parts 5, 8, 10, 14, 15)
- concern for others (p 2-3, 1.2, parts 13, 21, 23, 25, 29, 31, 32)
- inner harmony (p 2-3, 1.2, parts 1, 6, 7, 9, 11, 17)
- status (p 2-3, 1.2, parts 3, 4, 8, 14, 28)
- propriety (p 2-3, 1.2, parts 2, 5, 10, 15, 16, 22, 24, 26, 27)
- effectiveness (p 2-3, 1.2, parts 12, 18, 19, 20, 30).

(2) *Evaluation of Australian democracy (Section 8)*

Measured through Valerie Braithwaite's modification of John Dryzek's (1994) measures of Australian discourses of democracy (Braithwaite, 1997).

Constructed scales are:

- (a) opposition to minority influence (p 21-23, 8, parts 2, 14, 18)
- (b) support for a more caring democracy (p 21-23, 8, parts 20, 21)
- (c) satisfaction with democracy (p 21-23, 8, parts 3, 6, 11)
- (d) disillusionment with democracy (p 21-23, 8, parts 1, 4, 5, 7, 8, 9, 12, 13, 15))
- (e) support for small government/free market democracy (p 21-23, 8, parts 16, 19).

(3) *Appropriateness of expenditure of tax monies (Section 11)*

Measured through one general satisfaction question from Friedrich Schneider (p 30, 11.3), and through evaluations of whether more or less money should be spent in 11 areas of government responsibility (p 30, 11.2).

Constructed scales are:

- (a) relative preferences on enabling institutions expenditure (p 30, 11.2, parts 1, 3, 4, 7, 8)
- (b) relative preferences on security institutions expenditure (p 30, 11.2, parts 2, 5, 6)
- (c) relative preferences on arts/science institutions expenditure (p 30, 11.2, parts 9, 10, 11).

(4) Priorities for tax reform (Section 11)

Measured through 14 items developed by Valerie Braithwaite, Jenny Job and Rob Williams (p 31, 11.5).

Constructed scales are:

- (a) building a cooperative taxpaying culture (p 31, 11.5, parts 1, 6, 7, 11, 12)
- (b) making the rich pay (p 31, 11.5, parts 2, 3, 8)
- (c) cutting tax and administration (p 31, 11.5, parts 4, 13, 14)
- (d) simplifying the tax system (p 31, 11.5, parts 5, 9, 10).

(5) Trust norms (Section 4)

Measured using the communal and exchange trust norm scales (Braithwaite, 1998). Trust norms represent the actions individuals expect institutions to take if they are to be regarded as trustworthy by their constituency.

Constructed scales are:

- (a) communal trust norms (p 12, 4.3, parts 7, 8, 9, 10, 11, 12, 13, 14).
- (b) exchange trust norms (p 12, 4.3, parts 1, 2, 3, 4, 5, 6).

INSTITUTIONAL DEMANDS AND INDIVIDUAL EXPERIENCES

(1) Contact with the Tax Office (Section 3)

Measured through a four-item scale asking if respondent or someone close to the respondent had requested information from the Tax Office (p 5, 3.1, parts 3, 4; 3.2, parts 3, 4).

(2) Conflict between respondent and the Tax Office (Section 3)

Measured through a four-item scale asking if respondent had been audited, fined, questioned by the Tax Office about the accuracy of a tax return, or had contested the assessment made by the Tax Office (p 5, 3.1, parts 1, 2, 3.6*, p 6, 3.7*).²

(3) Conflict between someone close to respondent and the Tax Office (Section 3)

Measured through a two-item scale asking if respondent had someone close to them who had been audited or who had contested an assessment (p 5, 3.2, parts 1, 2).

(4) Favourable outcomes for respondent (Section 3, Section 11)

Measured through one item asking whether the Tax Office has generally owed respondent money or the respondent owed the Tax Office money over the past four years (p 6, 3.9).

Measured through two items taken from Tom Tyler's (1997) distributive justice index (p 6, 3.10, 3.11).

Measured through three items adapted from Trevor Sutton's (1997) index of material loss (p 29, 11.1, parts 1, 2, 3).

² All items marked with an * were reverse scored for purposes of computing scale scores. For further details about scoring items comprising scales, please contact CTSI@anu.edu.au.

(5) *Requirement to lodge a tax return (Section 3)*

Measured through one item asking respondents if they should have completed a 1998–99 tax return (p 5, 3.3).

(6) *Likely costs of non-compliance using scenarios (Section 6, Section 7)*

(a) Probability of getting caught (Section 6, Section 7)

Measured through giving scenarios and asking about the probability of getting caught (p17, 6.1, p 19, 7.1).

(b) Probability of receiving various punishments (Section 6, Section 7)

Measured through the same scenarios and asking about the probability of receiving various punishments if caught (p 17, 6.2, p 19, 7.2).

(c) How serious a problem are these punishments (Section 6, Section 7)

Measured through asking respondents to rate the seriousness of the problem posed by different punishments (p 17, 6.3, p 19, 7.3).

(d) Shame management in the light of a specific punishment

Measured through 16 emotional reactions based on the work of Eliza Ahmed (1999) (p 18, 6.4, p 20, 7.4).

Constructed scales are:

(a) shame acknowledgment (p 18 and 20, 6.4 and 7.4, parts 1, 2, 3, 4, 5, 6, 7, 8, 10)

(b) shame displacement (p 18 and 20, 6.4 and 7.4, parts 9, 11, 12, 13).

EVALUATION OF THE TAX SYSTEM

(1) *Performance (Section 2)*

Measured through 12 items taken directly from the *Taxpayers' Charter*.

Constructed scales are:

- (a) exchange obligations (p 4, 2.1, parts 4, 7, 8, 9, 10, 11, 12)
- (b) communal obligations (p 4, 2.1, parts 1, 2, 3, 5, 6).

Because these scales are so highly correlated, they have been combined into one scale in many working papers. The scale is called compliance with *Taxpayers' Charter* obligations.

(2) *Fairness (Section 4, Section 5)*

Measured through five multi-item scales representing procedural justice – three adapted from Tom Tyler (1997) (scales (a)–(c) below) and two from John Braithwaite and Toni Makkai (1994) and Valerie Braithwaite (scales (d)–(e) below).

Constructed scales are:

- (a) neutrality (p 6-11, 4.1, parts 4, 46, 61)
- (b) trust in the ATO to be fair (p 6-11, 4.1, parts 38, 40, 53)
- (c) respect (p 6-11, 4.1, parts 2, 24)
- (d) trustworthy treatment from ATO (p 6-11, 4.1, parts 1, 58*)
- (e) consultation (p 6-11, 4.1, parts 9*, 17*, 21, 56).

Measured through six questions adapted from Kinsey and Grasmick (1993) (p 15, 5.8); and through 12 questions that represent an extension of Kinsey and Grasmick with different occupational groups, adapted from the International Social Science Survey (Braithwaite, 1997) (p 16, 5.9). Respondents indicated whether they think different groups are paying more or less than their fair share of tax. The degree to which an individual ticks the more extreme categories (as opposed to the middle category which indicates that the group is paying its fair share) reflects perceptions of unfairness in taxpaying behaviour in our society.

Given that the occupational groups represent high, middle and low socio-economic status, it is possible to develop a measure of vertical inequality, the degree to which there is perceived to be a large discrepancy between the fairness of the contribution of the rich and the poor. A measure of vertical inequality is calculated for each individual, based on the standard deviation of an individual's scores on the four scales described below.

Constructed scales are:

- (a) the 'top of town' fairness scale (p 15-16, 5.8, part 4, 5.9, parts 1, 2, 7, 8, 10, 12)
- (b) the 'workers' fairness scale (p 15-16, 5.8, parts 1, 3, 5.9, parts 3, 4, 5, 11)
- (c) the 'small business' fairness scale (p 15-16, 5.9, parts 6, 9)
- (d) the 'self' fairness scale (p. 15-16, 5.8, parts 5, 6).

Measured through miscellaneous questions on comparative fairness (p 14-15, 5.1, 5.7).

(3) *Trust (Section 4)*

Measured through an eight-item scale developed by Valerie Braithwaite (1997) (p 11-12, 4.2).

(4) *Perceived power (Section 4)*

Measured through two multi-item scales developed by John Braithwaite and Valerie Braithwaite to represent the concept of the 'benign big gun' (based on the Nursing Home Regulation in Action Project, Braithwaite et al., 1993).

Constructed scales are:

- (a) power with small business, wage and salary earners, and self-employed individuals (p 13, 4.4, parts 2*, 4*, 5*)
- (b) power with large business and high wealth individuals (p 13, 4.4, parts 1*, 3*).

(5) *Legitimacy (Section 4)*

Measured through a multi-item favourability scale based on the work of Tom Tyler (1997) (p 6-11, 4.1, parts 15*, 43*, 47).

Measured through a multi-item scale labelled obligation to accept Tax Office decisions, based on the work of Tom Tyler (1997) (p 7-8, 4.1, parts 8, 37).

MOTIVATIONAL POSTURES

(1) *Commitment or accommodation*

Measured through a multi-item scale based on the work of Valerie Braithwaite (Braithwaite et al., 1994; Braithwaite, 1995) (p 6-11, 4.1, parts 11, 14, 28*, 29, 35, 42, 52, 55).

(2) *Capitulation or capture*

Measured through a multi-item scale based on the work of Valerie Braithwaite (Braithwaite et al., 1994; Braithwaite, 1995) (p 6-11, 4.1, parts 7, 34, 51, 59, 60).

(3) *Resistance*

Measured through a multi-item scale based on the work of Valerie Braithwaite (Braithwaite et al., 1994; Braithwaite, 1995) (p 6-11, 4.1, parts 20, 27, 32, 49, 54, 57).

(4) *Disengagement*

Measured through a multi-item scale based on the work of Valerie Braithwaite (Braithwaite et al., 1994; Braithwaite, 1995) (p 6-11, 4.1, parts 23, 33, 36, 39).

(5) *Game playing*

Measured through a multi-item scale based on the work of Valerie Braithwaite (Braithwaite et al., 1994; Braithwaite, 1995) (p 6-11, 4.1, parts 3, 6, 19, 22, 48).

SOURCES OF INFLUENCE

(1) Definition of the self (Section 4, Section 10, Section 11)

Measured through a four-item scale labelled a personal ethical norm of honesty in taxpaying, developed by Michael Wenzel (p 32, 11.6, parts 1, 2*, 5*, 6)

Measured through a multi-item scale labelled obligation to accept Tax Office decisions, based on the work of Tom Tyler (1997) (p 7-8, 4.1, parts 8, 37).

Measured through a multi-item scale labelled willingness to criticise cash economy activity publicly, designed by Friedrich Schneider (p 29, 10.7, parts 4, 5).

Measured through a multi-item scale labelled admiration of cash economy tax evasion, designed by Friedrich Schneider (p 28-29, 10.7, parts 1, 2, 3*).

Measured through a multi-item scale labelled a low tax priority self-concept, developed by Valerie Braithwaite (p 34, 11.12, parts 3, 4, 5).

Measured through a two-item honest taxpayer identification index, as recommended by S. Alexander Haslem (2000) (p 15, 5.6, parts 1, 2).

Measured through a two-item Australian community identification index, as recommended by S. Alexander Haslem (2000) (p 14, 5.5, parts 1, 2).

Measured through a two-item industry/business group identification index, as recommended by S. Alexander Haslem (2000) (p 14, 5.4, parts 1, 2).

(2) Significant others (Section 9, Section 11)

Measured through a four-item scale labelled social ethical norm of honesty in taxpaying, developed by Michael Wenzel (p 32, 11.7, parts 1, 2*, 5*, 6).

Measured through asking respondents if they did or did not seek help from family/friends, tax agent/adviser, business partner, someone from the Tax Office, industry association, an employee (p 25, 9.11, parts 1, 2, 3, 4, 5, 6).

Constructed scale is:

the number of people who assisted the respondent (p 25, 9.11, parts 1, 2, 3, 4, 5, 6).

Measured through asking respondents who used a tax agent how much they agreed or disagreed with five statements about their tax agent (p 33, 11.10.2, parts 1, 2, 3, 4, 5).

Constructed scale is:

the aggressive tax planning scale (p 33, 11.10.2, parts 1, 3, 4).

Measured through asking respondents how much of a priority they would place on each of nine qualities when looking for a tax agent (Sakurai & Braithwaite, 2001) (p 33, 11.11, parts 1, 2, 3, 4, 5, 6, 7, 8, 9).

Constructed scales are:

- (a) low risk with no fuss style (p 33-34, 11.11, parts 8, 9)
- (b) cautious minimising with conflict avoidance style (p 33-34, 11.11, parts 2, 3)
- (c) creative accounting, aggressive tax planning style (p 33-34, 11.11, parts 5, 6, 7).

COMPLIANCE AND COMPLIANCE MANAGEMENT

The questions in this section were based on the work of Nathan Harris, John Braithwaite and Rob Williams in developing a multidimensional and comprehensive instrument to assess actions taken to manage, avoid or evade obligations for tax compliance. The final measures and the data gathered using them are discussed in Working Paper No. 15 (Braithwaite et al., 2001).

(1) *Lodging a tax return (Section 3)*

Measured through combining responses to two questions asking who lodged a 1998–99 tax return and who should have lodged this return (questions on p 5, 3.3, 3.4).

Measured through aggregating responses to the above index (who had not lodged a 1998–99 tax return that they should have lodged) and responses to the question, who had not completed tax returns from previous years (questions on p 5, 3.3, 3.4, 3.5).

Measured through simplifying the above measure so that we had a measure that represented who claimed a perfect record on tax lodgment and who did not (questions on p 5, 3.3, 3.4, 3.5).

(2) *Having a tax debt (Section 3)*

Measured through one item asking if the respondent had an outstanding debt with the Tax Office (p 6, 3.8).

(3) *Overclaiming deductions (Section 9)*

Measured through two items enquiring as to the degree to which overclaiming may have occurred in the 1998–99 tax return (p 24, 9.5, 9.6).

Constructed scale is:

overclaiming deductions scale (p 24, 9.5, 9.6).

(4) Not declaring income (Section 9)

Measured through eight items representing different sources of income (from those with an obvious paper trail to those without) that respondents may have failed to declare in their 1998–99 tax return (p 24, 9.4, parts 1, 2, 3, 4, 5, 6, 7, 9.7).

Constructed scale is:

undeclared income scale (p 24, 9.4, parts 1, 2, 3, 4, 5, 6, 7, 9.7).

(5) Receiving cash-in-hand payments (Section 10)

Measured through one item from Friedrich Schneider asking whether or not cash-in-hand payments had been received in the past 12 months (p 26, 10.1).

(6) Giving cash-in-hand payments (Section 10)

Measured through one item from Friedrich Schneider asking whether or not cash-in-hand payments had been given in the past 12 months (p 27, 10.4).

(7) Strategising on tax minimisation (Section 9)

Measured through eight items representing different strategies that respondents may have used to minimise their tax in 1998–99 (p 26, 9.12, parts 1, 2, 3, 4, 5, 6, 7, 8).

Constructed scales are:

- (a) low risk tax minimisation strategies (p 26, 9.12, parts 1, 2, 3, 4)
- (b) higher risk tax minimisation strategies (p 26, 9.12, parts 5, 6, 7, 8).

Measured through the number of times respondents said they did not know of the tax minimisation strategy referred to in the measure above (p 26, 9.12, parts 1, 2, 3, 4, 5, 6, 7, 8).

Measured through two items representing the effort that respondents are prepared to put into tax minimisation (p 25, 9.8, 9.9).

Constructed scale is:

effort to minimise tax (p 25, 9.8*, 9.9*).

SOCIO-ECONOMIC INDICATORS (SECTION 12)

In addition to the clusters of variables outlined in the model, it was important to measure social and demographic characteristics of our sample so that it was possible to work out whether our data came from a representative sample or not. For instance, if the sample under-represented occupational groups working in the cash economy, the survey data would have a bias that users would need to know about when they were interpreting cash economy data. Measures of key social demographic indicators were taken in Section 12 of the questionnaire.

These questions were based on two well-established surveys run out of the Research School of Social Sciences – the Australian Election Survey and the International Social Science Survey. Both surveys have been designed to enable comparisons with population estimates produced by the Australian Bureau of Statistics.

REFERENCES

- Ahmed, E. (1999). Shame management and bullying. Unpublished doctoral dissertation. Canberra: The Australian National University.
- Braithwaite, J. & Makkai, T. (1994). Trust and compliance. *Policing and Society*, 4, 1–12.
- Braithwaite, J., Makkai, T., Braithwaite, V. & Gibson, D. (1993). Nursing Home Regulation in Action Project 1987–1992. Canberra: The Australian National University.
- Braithwaite, V. (1995). Games of engagement: Postures within the regulatory community. *Law and Policy*, 17, 225–255.
- Braithwaite, V. (1997). Trust in institutions. In J. Kelly, M.D.R. Evans, C. Bean, K. Zagorski & V. Braithwaite (Eds.), *International Social Science Surveys Australia*, (pp. 37–39). Canberra: The International Social Survey Program, Research School of the Social Sciences, The Australian National University.
- Braithwaite, V. (1998). Communal and exchange trust norms, their value base and relevance to institutional trust. In V. Braithwaite and M. Levi (Eds.) *Trust and Governance*. New York: Russell Sage.
- Braithwaite, V., Braithwaite, J., Gibson, D. & Makkai, T. (1994). Regulatory styles, motivational postures and nursing home compliance. *Law and Policy*, 16, 363–394.
- Braithwaite, V., Braithwaite, J., Williams, R. & Reinhart, M. (2001). The multidimensional measurement of taxation compliance with self-report surveys. *Centre for Tax System Integrity Working Paper No. 15*.
- Braithwaite, V. & Law, H.G. (1985). Structure of human values: Testing the adequacy of the Rokeach Value Survey. *Journal of Personality and Social Psychology*, 49, 250–263.
- Dryzek, J.S. (1994). Australian discourses of democracy. *Australian Journal of Political Science*, 29, 221–239.
- Haslem, S.A. (2000). *Psychology in Organizations: The social identity approach*. London: Sage Publications.
- Kinsey, K.A. & Grasmick, H.G. (1993). Did the Tax Reform Act of 1986 improve compliance? Three studies of pre- and post-TRA compliance attitudes. *Law and Policy*, 15, 239–325.
- McAllister, I., Gow, D. & Bean, C. (1998). *Australian Election Survey*. Canberra: Research School of the Social Sciences, The Australian National University.

Mearns, M., & Braithwaite, V. (2001). The Community, Hopes, Fears and Actions Survey: Survey Method and Related Matters. *Centre for Tax System Integrity Working Paper No. 4.*

Sakurai, Y. & Braithwaite, V. (2001). A return to the taxpayer: Taxpayer attitudes to completing tax returns and their preferences for tax adviser behaviour. *Centre for Tax System Integrity Working Paper No. 5.*

Sutton, T. (1997). *Child Support Questionnaire: National Telephone Survey April–May 1997.* Child Support Agency.

Tyler, T. (1997). The psychology of legitimacy: A relational perspective on voluntary deference to authorities. *Personality and Social Psychology Review*, 1, 323–345.

1. OUR SOCIETY'S GOALS

1.1 Below are 16 goals that refer to our society, our nation, and to people in general. Please indicate the extent to which you accept or reject each of the following *as principles that guide your judgements and actions*. Do this by circling the number that comes closest to the way you feel about each goal. Use the following code to decide which number to select:

- 1 = Reject
- 2 = Inclined to reject
- 3 = Neither reject nor accept
- 4 = Inclined to accept
- 5 = Accept as important
- 6 = Accept as very important
- 7 = Accept as of utmost importance

Quickly read through the list before you start. This will give you an opportunity to decide which are the more important principles for you personally.

- | | | | | | | | |
|---|---|---|---|---|---|---|---|
| 1. A Good Life for Others (improving the welfare of all people in need)..... | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 2. Rule by the People (involvement by all citizens in making decisions that affect their community) | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 3. International Cooperation (having all nations working together to help each other) | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 4. Social Progress and Reform (readiness to change our way of life for the better)..... | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 5. National Greatness (being a united, strong, independent, and powerful nation) | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 6. A World at Peace (being free from war and conflict) | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 7. A World of Beauty (having the beauty of nature and the arts: music, literature, art, etc.)..... | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 8. Reward for Individual Effort (letting individuals prosper through gains made by initiative and hard work) | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 9. Human Dignity (allowing each individual to be treated as someone of worth)..... | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 10. National Security (protection of your nation from enemies) | 1 | 2 | 3 | 4 | 5 | 6 | 7 |

11. **Equal Opportunity for All** (giving everyone an equal chance in life) 1 2 3 4 5 6 7
12. **Freedom** (being able to live as you choose whilst respecting the freedom of others) 1 2 3 4 5 6 7
13. **Greater Economic Equality** (lessening the gap between the rich and the poor) 1 2 3 4 5 6 7
14. **The Rule of Law** (living by laws that everyone must follow) 1 2 3 4 5 6 7
15. **National Economic Development** (having greater economic progress and prosperity for the nation)..... 1 2 3 4 5 6 7
16. **Preserving the Natural Environment** (preventing the destruction of nature’s beauty and resources) 1 2 3 4 5 6 7

1.2 Below is another list, this time made up of personal goals and ways of living that different people use as guiding principles in their daily lives. Please indicate the extent to which you accept or reject each of these goals *as principles that you try to live by*. Do this by circling the numbers as you did before. Before you start, quickly read through the entire list to get a feel for how to score your answers.

1 = Reject
 2 = Inclined to reject
 3 = Neither reject nor accept
 4 = Inclined to accept
 5 = Accept as important
 6 = Accept as very important
 7 = Accept as of utmost importance

1. **Wisdom** (having a mature understanding of life) 1 2 3 4 5 6 7
2. **Conscientious** (being hardworking)..... 1 2 3 4 5 6 7
3. **Authority** (having power to influence others and control decisions)..... 1 2 3 4 5 6 7
4. **Recognition by the Community** (having high standing in the community) 1 2 3 4 5 6 7
5. **Polite** (being well-mannered) 1 2 3 4 5 6 7
6. **The Pursuit of Knowledge** (always trying to find out new things about the world we live in) 1 2 3 4 5 6 7

7. **Self-knowledge/Self-insight** (being more aware of what sort of person you are)..... 1 2 3 4 5 6 7
8. **Economic Prosperity** (being financially well-off) 1 2 3 4 5 6 7
9. **Self-respect** (believing in your own worth)..... 1 2 3 4 5 6 7
10. **Patriotic** (being loyal to your country) 1 2 3 4 5 6 7
11. **Self-improvement** (striving to be a better person)..... 1 2 3 4 5 6 7
12. **Efficient** (always using the best method to get the best results) 1 2 3 4 5 6 7
13. **Forgiving** (willing to pardon others) 1 2 3 4 5 6 7
14. **Ambitious** (being eager to do well)..... 1 2 3 4 5 6 7
15. **Prompt** (being on time) 1 2 3 4 5 6 7
16. **Refined** (never being coarse or vulgar)..... 1 2 3 4 5 6 7
17. **Inner Harmony** (feeling free of conflict within yourself) 1 2 3 4 5 6 7
18. **Showing Foresight** (thinking and seeing ahead) 1 2 3 4 5 6 7
19. **Resourceful** (being clever at finding ways to achieve a goal) 1 2 3 4 5 6 7
20. **Knowledgeable** (being well-informed) 1 2 3 4 5 6 7
21. **Trusting** (having faith in others) 1 2 3 4 5 6 7
22. **Clean** (not having dirty habits)..... 1 2 3 4 5 6 7
23. **Giving Others a Fair Go** (giving others a chance) 1 2 3 4 5 6 7
24. **Self-disciplined** (being self-controlled)..... 1 2 3 4 5 6 7
25. **Generous** (sharing what you have with others)..... 1 2 3 4 5 6 7
26. **Reliable** (being dependable) 1 2 3 4 5 6 7
27. **Neat** (being tidy)..... 1 2 3 4 5 6 7
28. **Competitive** (always trying to do better than others) 1 2 3 4 5 6 7
29. **Understanding** (able to share another's feelings)..... 1 2 3 4 5 6 7

- 30. **Logical** (being rational)..... 1 2 3 4 5 6 7
- 31. **Helpful** (always ready to assist others) 1 2 3 4 5 6 7
- 32. **Cooperative** (being able to work in harmony with others)..... 1 2 3 4 5 6 7

2. THE TAX OFFICE’S GOALS

2.1 The Taxpayers’ Charter is a document that sets standards for the way the Tax Office conducts its dealings with you.

We would like you to answer some questions about the standards set out in the Taxpayers’ Charter. Please circle the response that best represents your opinion.

Do you think that the Tax Office acts in accordance with the standards set out below?

1 = Almost never
 2 = Occasionally
 3 = Sometimes yes, sometimes no
 4 = Most times
 5 = Almost always

- 1. Being accountable for what they do..... 1 2 3 4 5
- 2. Treating you fairly and reasonably 1 2 3 4 5
- 3. Treating you as honest in your tax affairs unless you act otherwise 1 2 3 4 5
- 4. Offering you professional service and assistance to help you understand and meet your tax obligations 1 2 3 4 5
- 5. Respecting your privacy..... 1 2 3 4 5
- 6. Keeping the information they hold about you confidential, in accordance with the law 1 2 3 4 5
- 7. Giving you access to information they hold about you, in accordance with the law 1 2 3 4 5
- 8. Explaining to you the decisions they make about your tax affairs 1 2 3 4 5
- 9. Giving you advice and information that you can rely on..... 1 2 3 4 5

10. Helping you to minimize your costs in complying with the tax laws..... 1 2 3 4 5
11. Giving you the right to an independent review from outside the Tax Office 1 2 3 4 5
12. Accepting that you have the right to be represented by and get advice from a person of your choice regarding your tax affairs 1 2 3 4 5

3. EXPERIENCES WITH THE TAX OFFICE

The next set of questions asks about personal dealings with the Tax Office in relation to income tax returns. By personal, we mean phone calls or correspondence above and beyond filing an income tax return and receiving tax assessments.

- | 3.1 Have you ever ... | Never | Once | More than once |
|---|-------|------|----------------|
| 1. Had an audit or other investigation by the Tax Office..... | 1 | 2 | 3 |
| 2. Contested an assessment given by the Tax Office..... | 1 | 2 | 3 |
| 3. Requested information about your tax situation | 1 | 2 | 3 |
| 4. Requested general information about the tax system | 1 | 2 | 3 |
|
 | | | |
| 3.2 Has anyone close to you ever ... | Never | Once | More than once |
| 1. Had an audit or other investigation by the Tax Office..... | 1 | 2 | 3 |
| 2. Contested an assessment given by the Tax Office..... | 1 | 2 | 3 |
| 3. Requested information about their tax situation | 1 | 2 | 3 |
| 4. Requested general information about the tax system | 1 | 2 | 3 |
|
 | | | |
| 3.3 Should you have filed an income tax return in 1998-99? | | | |
| Yes | 1 | | |
| No | 2 | | |
| Don't know | 3 | | |

3.4 Did you file an income tax return for 1998-1999?

- Yes1
- No2
- Not yet3

3.5 Have you any income tax returns not yet completed from previous years?

- Yes1
- No2

3.6 Has the Tax Office ever asked questions to check the accuracy of your tax return?

- Yes1
- No2

3.7 Have you ever been fined or penalized in some way by the Tax Office?

- Yes1
- No2

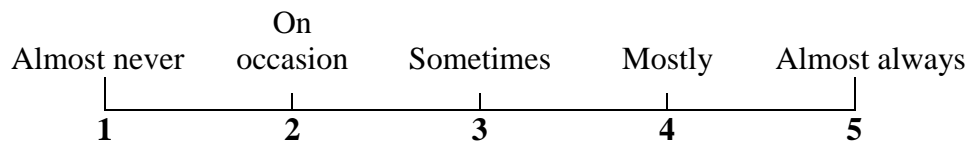
3.8 Do you have an outstanding debt with the Tax Office?

- Yes1
- No2

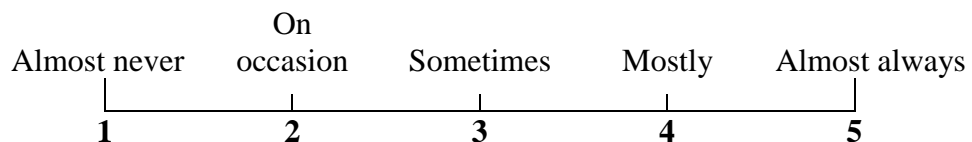
3.9 Think about the past four years. On most occasions, has the Tax Office owed you money when you filed your income tax return or have you owed the Tax Office money?

- Tax Office owed me most times1
- Half and half2
- I owed the Tax Office most times3
- I don't file income tax returns4

3.10. How often do you agree with the decisions made by the Tax Office?



3.11. How often are the decisions of the Tax Office favourable to you?



4. YOUR VIEWS ON THE TAX OFFICE

4.1 Below are statements that describe ways people see the Tax Office. Circle the number closest to your view.

	Strongly disagree	Disagree	Neither	Agree	Strongly agree
1. The Tax Office treats people as if they can be trusted to do the right thing	1	2	3	4	5
2. The Tax Office respects the individual's rights as a citizen.....	1	2	3	4	5
3. I like the game of finding the grey area of tax law	1	2	3	4	5
4. The Tax Office gives equal consideration to the views of all Australians	1	2	3	4	5
	Strongly disagree	Disagree	Neither	Agree	Strongly agree
5. I am fairly well informed on how to stay on the right side of the law in tax matters.....	1	2	3	4	5
6. The Tax Office respects taxpayers who can give them a run for their money.....	1	2	3	4	5
7. The Tax Office is encouraging to those who have difficulty meeting their obligations through no fault of their own	1	2	3	4	5
8. People should follow the decisions of the Tax Office even if they go against what they think is right	1	2	3	4	5
9. The Tax Office listens to powerful interest groups, not to ordinary Australians	1	2	3	4	5
10. If you get caught doing the wrong thing, you just have to pay what you owe and everything will be all right	1	2	3	4	5

11. I feel a moral obligation to pay my tax.....	1	2	3	4	5
12. The Tax Office can be trusted to administer the tax system so that it is right for the country as a whole	1	2	3	4	5
13. No matter how cooperative or uncooperative the Tax Office is, the best policy is to give them only as much cooperation as the law requires	1	2	3	4	5
14. Overall, I pay my tax with good will	1	2	3	4	5
15. The Tax Office has too much power.....	1	2	3	4	5
16 My own feelings are not affected much one way or another by what the Tax Office does to me.....	1	2	3	4	5

Strongly disagree Disagree Neither Agree Strongly agree

17. The Tax Office is more concerned about making their own job easier than making it easier for taxpayers	1	2	3	4	5
18. The Tax Office respects people who can take advantage of tax minimization schemes.....	1	2	3	4	5
19. I enjoy spending time working out how changes in the tax system will affect me	1	2	3	4	5
20. It's impossible to satisfy the requirements of the Tax Office completely.....	1	2	3	4	5
21. The Tax Office consults widely about how they might change things to make it easier for taxpayers to meet their obligations	1	2	3	4	5

22. I enjoy talking to friends about loopholes in the tax system	1	2	3	4	5
23. I don't care if I am not doing the right thing by the Tax Office	1	2	3	4	5
24. The Tax Office is concerned about protecting the average citizen's rights	1	2	3	4	5
25. If the Tax Office gets tough with me, I will become uncooperative with them.....	1	2	3	4	5
26. I am willing to exercise my right to legally minimize the tax I pay.....	1	2	3	4	5
27. The Tax Office is more interested in catching you for doing the wrong thing, than helping you do the right thing	1	2	3	4	5
28. I resent paying tax	1	2	3	4	5
29. I accept responsibility for paying my fair share of tax	1	2	3	4	5
	Strongly disagree	Disagree	Neither	Agree	Strongly agree
30. I can think of situations in which I would stop supporting the decisions of the Tax Office	1	2	3	4	5
31. If the Tax Office is cooperative with me, I will be cooperative with them.....	1	2	3	4	5
32. It's important not to let the Tax Office push you around.....	1	2	3	4	5
33. I personally don't think that there is much the Tax Office can do to me to make me pay tax if I don't want to	1	2	3	4	5
34. If you cooperate with the Tax Office, they are likely to be cooperative with you.....	1	2	3	4	5

35. I think of taxpaying as helping the government do worthwhile things....	1	2	3	4	5
36. I don't really know what the Tax Office expects of me and I'm not about to ask	1	2	3	4	5
37. I should accept decisions made by the Tax Office even when I disagree with them	1	2	3	4	5
38. The Tax Office considers the concerns of average citizens when making decisions.....	1	2	3	4	5
39. If I find out that I am not doing what the Tax Office wants, I'm not going to lose any sleep over it.....	1	2	3	4	5
40. The Tax Office cares about the position of taxpayers	1	2	3	4	5
41. I pay the tax that I am legally required to pay, but not a cent more	1	2	3	4	5
42. Paying tax is the right thing to do ...	1	2	3	4	5
43. The Tax Office's decisions are too influenced by political pressures.....	1	2	3	4	5
	Strongly disagree	Disagree	Neither	Agree	Strongly agree
44. We should abolish the tax system...	1	2	3	4	5
45. The Tax Office has sent out the message that it doesn't trust my industry or occupation group	1	2	3	4	5
46. The Tax Office gets the kind of information it needs to make informed decisions	1	2	3	4	5
47. The Tax Office does its job well.....	1	2	3	4	5
48. I enjoy the challenge of minimizing the tax I have to pay.....	1	2	3	4	5

49. If you don't cooperate with the Tax Office, they will get tough with you.....	1	2	3	4	5
50. The Tax Office will use its power when necessary to get people to obey the law.....	1	2	3	4	5
51. Even if the Tax Office finds that I am doing something wrong, they will respect me in the long run as long as I admit my mistakes	1	2	3	4	5
52. Paying tax is a responsibility that should be willingly accepted by all Australians	1	2	3	4	5
53. The Tax Office tries to be fair when making their decisions.....	1	2	3	4	5
54. Once the Tax Office has you branded as a non-compliant taxpayer, they will never change their mind.....	1	2	3	4	5
55. Paying my tax ultimately advantages everyone	1	2	3	4	5
56. The Tax Office goes to great lengths to consult with the community over changes to their system.....	1	2	3	4	5
	Strongly disagree	Disagree	Neither	Agree	Strongly agree
57. As a society we need more people willing to take a stand against the Tax Office	1	2	3	4	5
58. The Tax Office treats people as if they will only do the right thing when forced to	1	2	3	4	5
59. The tax system may not be perfect, but it works well enough for most of us.....	1	2	3	4	5

60. No matter how cooperative or uncooperative the Tax Office is, the best policy is to always be cooperative with them..... **1** **2** **3** **4** **5**

61. The Tax Office is generally honest in the way it deals with people ... **1** **2** **3** **4** **5**

4.2 Think of the Tax Office and what it has been doing over the past few years. To what extent do you agree or disagree with the following statements.

The Tax Office ...	Strongly disagree	Disagree	Neither	Agree	Strongly agree
1. Has misled the Australian people	1	2	3	4	5
2. Acted in the interests of all Australians	1	2	3	4	5
3. Turned its back on its responsibility to Australians	1	2	3	4	5
4. Caved in to pressure from special interest groups.....	1	2	3	4	5
5. Is trusted by you to administer the tax system fairly	1	2	3	4	5
6. Takes advantage of people who are vulnerable.....	1	2	3	4	5
7. Meets its obligations to Australians	1	2	3	4	5
	Strongly disagree	Disagree	Neither	Agree	Strongly agree
8. Is open and honest in its dealings with citizens	1	2	3	4	5

4.3 The following question asks you what you think is required to bring about and maintain trust in our institutions. In order to be trustworthy, how important is it for the Tax Office to

1 = Not at all
 2 = Somewhat important
 3 = Fairly important
 4 = Important
 5 = Very important
 6 = Essential

- | | | | | | | |
|---|---|---|---|---|---|---|
| 1. Not take risks | 1 | 2 | 3 | 4 | 5 | 6 |
| 2. Have a proven track record | 1 | 2 | 3 | 4 | 5 | 6 |
| 3. Be efficient in its operations | 1 | 2 | 3 | 4 | 5 | 6 |
| 4. Be consistent in its decision making..... | 1 | 2 | 3 | 4 | 5 | 6 |
| 5. Be accountable for its actions | 1 | 2 | 3 | 4 | 5 | 6 |
| 6. Be predictable in the way it responds to citizens..... | 1 | 2 | 3 | 4 | 5 | 6 |
| 7. Share the goals of the people | 1 | 2 | 3 | 4 | 5 | 6 |
| 8. Be able to anticipate problems in the tax system before they arise | 1 | 2 | 3 | 4 | 5 | 6 |
| 9. Keep citizens informed | 1 | 2 | 3 | 4 | 5 | 6 |
| 10. Consult widely with different groups | 1 | 2 | 3 | 4 | 5 | 6 |
| 11. Understand the position of taxpayers..... | 1 | 2 | 3 | 4 | 5 | 6 |
| 12. Treat taxpayers with respect | 1 | 2 | 3 | 4 | 5 | 6 |
| 13. Be on top of the games of those who get out of paying tax..... | 1 | 2 | 3 | 4 | 5 | 6 |
| 14. Have interest in the well-being of ordinary Australians | 1 | 2 | 3 | 4 | 5 | 6 |

4.4 The following questions relate to the power that you perceive the Tax Office as having. To what extent do you disagree or agree with the following:

	Strongly disagree	Disagree	Neither	Agree	Strongly agree
1. The Tax Office can't do much if a large company decides to defy it	1	2	3	4	5
2. The Tax Office can't do much if a small business decides to defy it.....	1	2	3	4	5
3. The Tax Office can't do much if a wealthy individual decides to defy it	1	2	3	4	5
4. The Tax Office can't do much if an ordinary wage and salary earner decides to defy it	1	2	3	4	5
5. The Tax Office can't do much if a self-employed taxpayer decides to defy it	1	2	3	4	5



You have now completed one third of the questionnaire! Why not have a coffee break before commencing the next section.



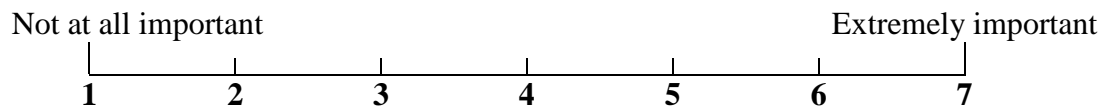
5. COMPARING YOURSELF TO OTHERS

5.1 Think about people who are in the same boat as you when it comes to paying tax. In your opinion, do they pay ...

- Much more than their fair share **1**
- A bit more than their fair share..... **2**
- About their fair share..... **3**
- A bit less than their fair share..... **4**
- Much less than their fair share..... **5**

5.2 Can you describe the sort of people who you think of as being in the same boat as you in paying tax?

5.3 How important is this group of people to you? (*Please circle a number*)



5.4 Consider your industry or occupation group. To what extent do you disagree or agree with the following:

1. Being a member of my industry/occupation group is important to me

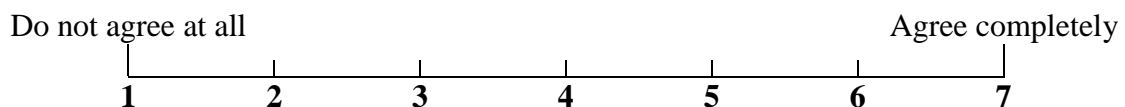


2. I feel a sense of pride in my industry/occupation group

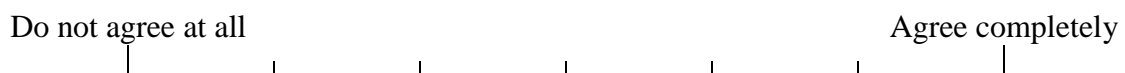


5.5 Now consider the Australian community.

1. Being a member of the Australian community is important to me



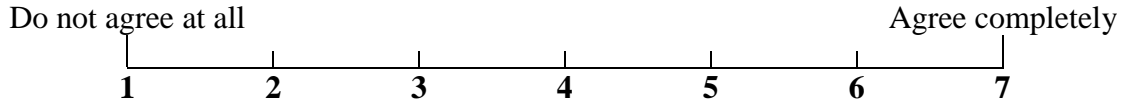
2. I feel a sense of pride in being a member of the Australian community



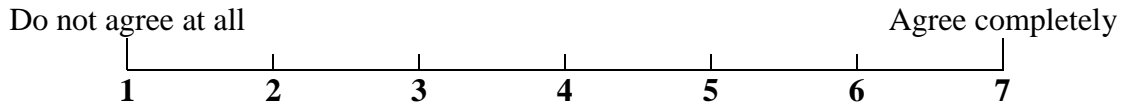
1 2 3 4 5 6 7

5.6 This time think about the group, honest taxpayers.

1. Being an honest taxpayer is important to me



2. I feel a sense of pride in being an honest taxpayer



5.7 Think of people in Australia who earn about the same as you. Would you say that you pay ...

- Much more tax than they do1
- A bit more tax than they do2
- About the same amount of tax as they do.....3
- A bit less tax than they do4
- Much less tax than they do5

5.8 In your opinion, do the following groups pay their fair share of tax?

Much more!! = Pay much more than their fair share
 A bit more = Pay a bit more than their fair share
 OK = Pay about their fair share
 A bit less = Pay a bit less than their fair share
 Much less! = Pay much less than their fair share

1. Workers whose primary income is wage and salaries.....	Much more!	A bit more	OK	A bit less	Much less!
2. People who make a lot of their money from investments.....	Much more!	A bit more	OK	A bit less	Much less!
3. Families earning less than \$20,000 a year	Much more!	A bit more	OK	A bit less	Much less!
4. Families earning more than \$100,000 a year.....	Much more!	A bit more	OK	A bit less	Much less!

5. You, yourself.....	Much more!	A bit more	OK	A bit less	Much less!
6. Your industry/occupation group	Much more!	A bit more	OK	A bit less	Much less!

5.9 Now think of the following groups. Do they pay their fair share of tax in your view?

Much more!! = Pay much more than their fair share
 A bit more = Pay a bit more than their fair share
 OK = Pay about their fair share
 A bit less = Pay a bit less than their fair share
 Much less! = Pay much less than their fair share

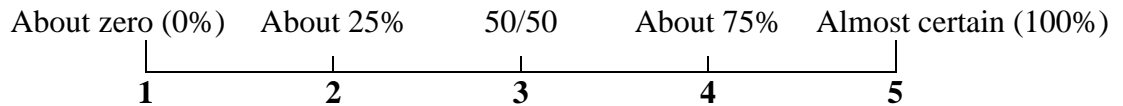
1. Owner-managers of large companies.....	Much more!	A bit more	OK	A bit less	Much less!
2. Senior judges and barristers	Much more!	A bit more	OK	A bit less	Much less!
3. Unskilled factory workers.....	Much more!	A bit more	OK	A bit less	Much less!
4. Trades people	Much more!	A bit more	OK	A bit less	Much less!
5. Farm labourers	Much more!	A bit more	OK	A bit less	Much less!
6. Farm owners.....	Much more!	A bit more	OK	A bit less	Much less!
7. Doctors in general practice (GPs).....	Much more!	A bit more	OK	A bit less	Much less!
8. Chief executives of large national corporations.....	Much more!	A bit more	OK	A bit less	Much less!
9. Small business owners	Much more!	A bit more	OK	A bit less	Much less!

10. Tax agents and advisors	Much more!	A bit more	OK	A bit less	Much less!
11. Waitresses	Much more!	A bit more	OK	A bit less	Much less!
12. Surgeons.....	Much more!	A bit more	OK	A bit less	Much less!

6. WHAT IF?

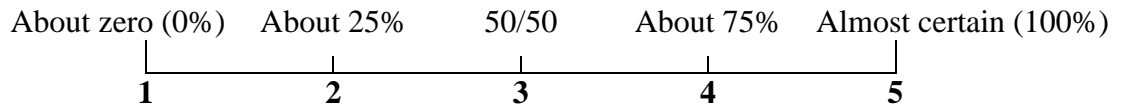
Imagine yourself in this situation. You have been paid \$5000 in cash for work that you have done outside your regular job. You don't declare it on your income tax return.

6.1 What do you think the chances are that you will get caught?

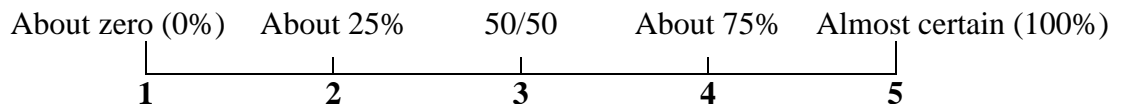


6.2 If you did get caught, what are the chances that you would have to face the following legal consequences?

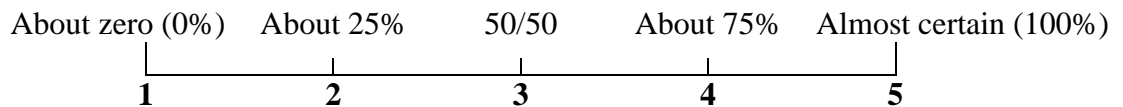
1. Taken to court + pay a substantial fine + pay the tax you owe with interest



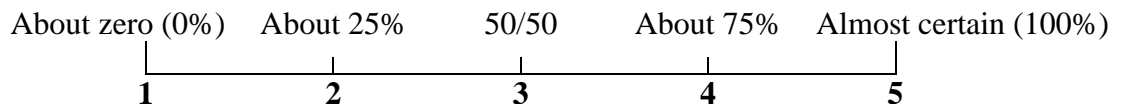
2. Taken to court + pay the tax you owe with interest



3. Pay a substantial fine + pay the tax you owe with interest



4. Pay the tax you owe with interest



6.3 Look at these legal consequences again. How much of a problem would they be for you?

No	=	No problem
Small	=	A small problem
Medium	=	A medium problem
Large	=	A large problem

- 1. Taken to court + pay a substantial fine + pay the tax you owe with interest..... **No Small Medium Large**
- 2. Taken to court + pay the tax you owe with interest..... **No Small Medium Large**
- 3. Pay a substantial fine + pay the tax you owe with interest **No Small Medium Large**
- 4. Pay the tax you owe with interest **No Small Medium Large**

6.4 Assume that you had to pay a substantial fine or penalty. How likely is it that the following would occur?

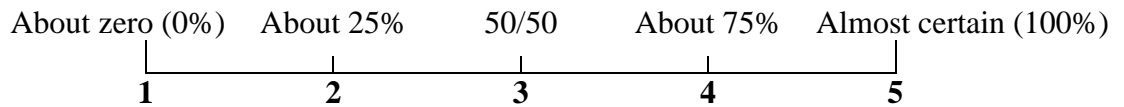
	Not Likely	May happen	Likely	Almost Certain
1. Feel that you had let down your family	1	2	3	4
2. Feel ashamed of yourself	1	2	3	4
3. Feel angry with yourself for what you did.....	1	2	3	4
4. Feel concerned to put matters right and put it behind you.....	1	2	3	4
5. Feel that what you had done was wrong.....	1	2	3	4
6. Feel bad about the harm and trouble you'd caused.....	1	2	3	4
7. Feel humiliated.....	1	2	3	4
8. Feel embarrassed.....	1	2	3	4
9. Feel unable to decide, in your own mind, whether or not you had done the wrong thing	1	2	3	4

10. Feel guilty.....	1	2	3	4
11. Feel angry with the Tax Office	1	2	3	4
12. Feel bothered by thoughts that you were being unfairly treated	1	2	3	4
13. Feel that you wanted to get even with the Tax Office	1	2	3	4
14. Pretend that nothing was happening	1	2	3	4
15. Make a joke of it	1	2	3	4
16. Rise above it.....	1	2	3	4

7. ANOTHER WHAT IF?

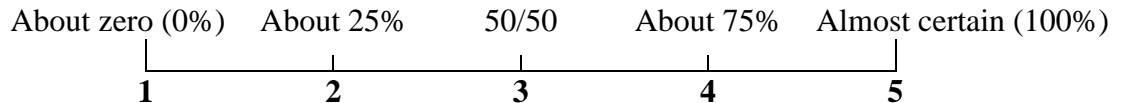
Imagine yourself in this situation. You have claimed \$5000 as work deductions when the expenses have nothing to do with work.

7.1 What do you think the chances are that you will get caught?

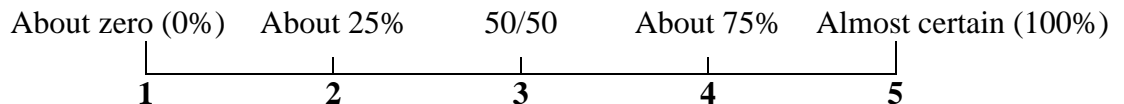


7.2 If you did get caught, what are the chances that you would have to face the following legal consequences?

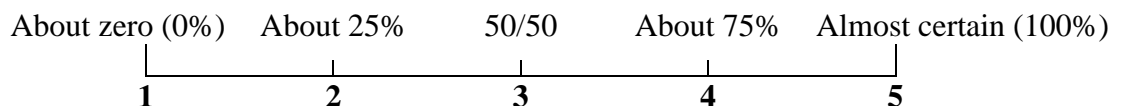
1. Taken to court + pay a substantial fine + pay the tax you owe with interest



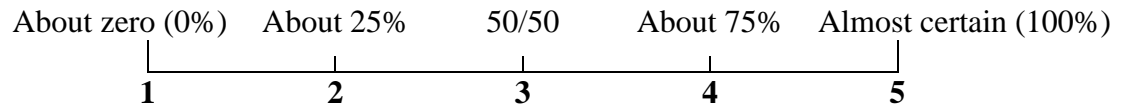
2. Taken to court + pay the tax you owe with interest



3. Pay a substantial fine + pay the tax you owe with interest



4. Pay the tax you owe with interest



7.3 Look at these legal consequences again. How much of a problem would they be for you?

1 = No problem
 2 = A small problem
 3 = A medium problem
 4 = A large problem

- | | | | | |
|---|---|---|---|---|
| 1. Taken to court + pay a substantial fine + pay the tax you owe with interest..... | 1 | 2 | 3 | 4 |
| 2. Taken to court + pay the tax you owe with interest..... | 1 | 2 | 3 | 4 |
| 3. Pay a substantial fine + pay the tax you owe with interest | 1 | 2 | 3 | 4 |
| 4. Pay the tax you owe with interest | 1 | 2 | 3 | 4 |

7.4 Assume that you had to pay a substantial fine or penalty. How likely is it that the following would occur?

	Not Likely	May Happen	Likely	Almost Certain
1. Feel that you had let down your family	1	2	3	4
2. Feel ashamed of yourself	1	2	3	4
3. Feel angry with yourself for what you did.....	1	2	3	4
4. Feel concerned to put matters right and put it behind you.....	1	2	3	4
5. Feel that what you had done was wrong.....	1	2	3	4
6. Feel bad about the harm and trouble you'd caused.....	1	2	3	4
7. Feel humiliated.....	1	2	3	4
8. Feel embarrassed.....	1	2	3	4

9. Feel unable to decide, in your own mind, whether or not you had done the wrong thing	1	2	3	4
10. Feel guilty.....	1	2	3	4
11. Feel angry with the Tax Office	1	2	3	4
12. Feel bothered by thoughts that you were being unfairly treated	1	2	3	4
13. Feel that you wanted to get even with the Tax Office	1	2	3	4
14. Pretend that nothing was happening	1	2	3	4
15. Make a joke of it	1	2	3	4
16. Rise above it.....	1	2	3	4

8. BELIEFS ABOUT AUSTRALIAN DEMOCRACY

8. Below are statements that have been made about Australian democracy. Please indicate how much you agree or disagree with each statement by circling the number that is closest to your own view.

	Strongly disagree	Disagree	Neither	Agree	Strongly agree
1. Democracy is a term which has lost much of its original meaning.....	1	2	3	4	5
2. Placing more emphasis on the rights of minorities weakens the concept of democracy and the rights of the majority.....	1	2	3	4	5
3. In our democracy, we can hold our representatives accountable	1	2	3	4	5
4. There's a dollar democracy that runs through our supposed democracy ..	1	2	3	4	5

5. In Australia the rich have virtually unlimited access to the legal system and the capacity to use it to achieve their own ends.....	1	2	3	4	5
6. You don't have to wait three years to say "I'm not happy with the government": You can apply pressure, and enough people writing to the local member can turn the situation around.....	1	2	3	4	5
7. I don't think we have enough input into legislation and the decisions that are important.....	1	2	3	4	5
8. Our government is attempting to mould our society to the needs of a profit-oriented market.....	1	2	3	4	5
9. I'm always cynical about government processes.....	1	2	3	4	5
10. The only time we are all equal is when we vote in the ballot box.....	1	2	3	4	5
	Strongly disagree	Disagree	Neither	Agree	Strongly agree
11. Our form of democracy is not perfect, but it beats by a long shot any other alternative we've been shown.....	1	2	3	4	5
12. All political parties seem to be appalling.....	1	2	3	4	5
13. The problem with democracy in Australia is that we are rarely asked our opinions.....	1	2	3	4	5
14. Sometimes I get a bit worried that there are a lot of small minority groups getting a lot of say: It depends on how loud the voice is, rather than the numbers.....	1	2	3	4	5

15. Governments can talk about “democracy”, but they fall down, in practice, because they cannot accept sharing power to influence decisions with those who might have different motives and ideas	1	2	3	4	5
16. Free markets work because individual people, cooperating peacefully and voluntarily through markets, can achieve much that politicians and bureaucrats cannot achieve using compulsion and direction	1	2	3	4	5
17. Freedom is fine, but you don’t have a right to rights: If you don’t stand up and demand them, you’ll get walked all over	1	2	3	4	5
18. I don’t want to be in a place where only minorities get the right to say what’s going to happen.....	1	2	3	4	5
19. The true function of government is to maintain peace and justice: This does not include interfering in national or international trade or commerce, or in the private transactions of citizens, save only as they threaten peace and justice	1	2	3	4	5
	Strongly disagree	Disagree	Neither	Agree	Strongly agree
20. Our community and nation should appeal to a spirit that each person is important, and has a way of influencing things.....	1	2	3	4	5
21. Our society will be more secure and more attractive if it is also more equitable and humane, as well as more productive and efficient	1	2	3	4	5

9. TAXPAYING BEHAVIOUR

9.1 How much of your income in the 1998-99 financial year did you get paid in cash? i.e. notes and coins rather than cheque or directly deposited into a bank account.

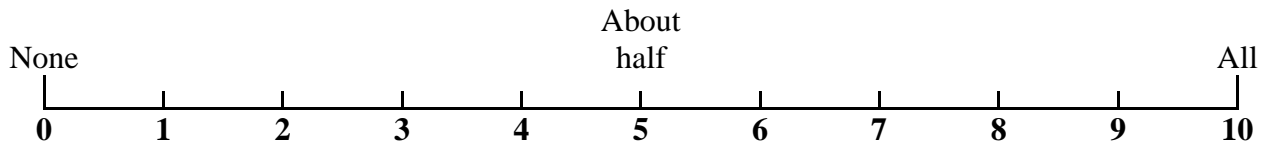
- Less than 5% **1**
- Between 5 and 20% **2**
- Between 20 and 50% **3**
- More than 50% **4**

9.2 Did you lodge an income tax return for the 1998-99 financial year

- Yes **1** *Please continue*
 - No **2**
 - Not yet **3**
- } *Skip to Section 10 on
CASH
TRANSACTION
BEHAVIOUR*



9.3 How much of your cash income did you declare on your 1998-99 income tax return?
(Please circle a number)



9.4 People earn income from many different sources e.g. wages and salaries, bank interest, dividends, honorariums, allowances, tips, bonuses, director's fees. Think about each of the sources of income listed below, and select the response that best describes your 1998-99 income tax return.

1 = Received none
 2 = Did not declare it
 3 = Declared some
 4 = Declared most
 5 = Declared all

- 1. Salary, wages **1 2 3 4 5**
- 2. Honorariums, allowances, tips, bonuses, director's fees **1 2 3 4 5**

- 3. Eligible termination payments 1 2 3 4 5
- 4. Australian government allowances like Youth Allowance, Austudy, Newstart 1 2 3 4 5
- 5. Australian government pensions, superannuation pensions, and other pensions or annuities..... 1 2 3 4 5
- 6. Interest..... 1 2 3 4 5
- 7. Dividends 1 2 3 4 5

9.5 As far as you know, did you exaggerate the amount of deductions or rebates in your 1998-99 income tax return?

- A lot1
- Quite a bit2
- Somewhat3
- A little4
- Not at all5

9.6 Think of the deductions and rebates you claimed in your 1998-99 income tax return. Would you say you were ... (*Circle the answer that best describes you*)

- Absolutely confident that they were all legitimate 1
- A bit unsure about some of them.....2
- Pretty unsure about quite a lot3
- Haven't a clue, someone else did it4

9.7 As far as you know, did you report all the money you earned in your 1998-99 income tax return?

- Yes1
- No2

9.8 Some people put in a lot of effort to plan their financial affairs in order to legally pay as little tax as possible. How much effort did you or your family devote to this objective in preparing for your 1998-99 income tax return?

- A lot1
- Quite a bit2
- Some3
- A little4
- None.....5

9.9 In preparing for your 1998-99 income tax return, did you look at several different ways of arranging your finances to minimize your tax?

- Yes **1**
- No **2**

9.10 When you were preparing for the lodgment of your 1998-99 income tax return, how well did you understand what the Tax Office expected of you? Would you say your understanding was ...

- Extremely good..... **1**
- Good **2**
- Reasonable..... **3**
- Partial..... **4**
- Poor..... **5**

9.11 Did you rely on the following people in preparing your 1998-99 income tax return?

- | | | |
|--|------------|-----------|
| 1. Family member or close friend..... | Yes | No |
| 2. Tax agent or advisor (tax accountant or lawyer) | Yes | No |
| 3. Business partner | Yes | No |
| 4. Someone from the Tax Office..... | Yes | No |
| 5. Someone from your industry association..... | Yes | No |
| 6. One of your employees | Yes | No |

9.12 Below is a list of investment strategies that may provide for tax minimization. In preparing for your 1998-99 income tax return, were you able to minimize your tax through ...

Yes = Yes
 No = No
 DK = Don't know what that is

- | | | | |
|---|------------|-----------|-----------|
| 1. Negative gearing (property/shares)..... | Yes | No | <i>DK</i> |
| 2. Employee share arrangements | Yes | No | <i>DK</i> |
| 3. Salary packaging..... | Yes | No | <i>DK</i> |
| 4. Superannuation planning | Yes | No | <i>DK</i> |
| 5. Warrants or leveraged investments..... | Yes | No | <i>DK</i> |
| 6. Schemes to convert income into capital gains | Yes | No | <i>DK</i> |
| 7. Tax shelters eg film schemes, agricultural schemes | Yes | No | <i>DK</i> |
| 8. Off-shore tax havens or other international tax planning | Yes | No | <i>DK</i> |

CASH TRANSACTION BEHAVIOUR

10.1 Have you worked for cash-in-hand payments in the last 12 months? By cash-in-hand we mean cash money that tax is not paid on.

- Yes **1**
 No **2** -- skip to 10.3 *

10.2.1 **If yes**, what were you employed as and what kind of work did you do?

10.2.2 How much did you earn in this way in the last 12 months?

\$ _____

10.2.3 On average, how much did you earn per hour for this work?

\$ _____



10.3 Why do you think people work for cash-in-hand payments? By cash-in-hand we mean cash money that tax is not paid on.

	Definitely Not	Unlikely	Unsure	Probably	Definitely
1. Income tax is too high.....	1	2	3	4	5
2. Don't have a tax file number	1	2	3	4	5
3. Want to avoid paying tax on the money they earn.....	1	2	3	4	5
4. Need extra money through a second job.....	1	2	3	4	5
5. Want to avoid red tape and government regulation	1	2	3	4	5
6. Want to have more disposable income	1	2	3	4	5
7. Want to stay out of the government system	1	2	3	4	5
8. They just do it – no particular reason.....	1	2	3	4	5

10.4 Have you paid anyone cash-in-hand payments in the last 12 months for work or services they provided to you? By cash-in-hand we mean cash money that tax is not paid on.

Yes1

No2 -- skip to 10.6 ☘

10.5.1 **If yes**, what were they employed as and what kind of work did they do? If they did different things please list the jobs from the largest to the smallest.

(a) **Job1** :-

(b) **Job 2** :-

(c) **Job3** :-

10.5.2 How much did you pay for this work in the last 12 months?

(a) **Job1** :- \$ _____

(b) **Job 2** :- \$ _____

(c) **Job3** :- \$ _____

10.5.3 On average, how much did you pay each person per hour for their work?

(a) **Job1** :- \$ _____

(b) **Job 2** :- \$ _____

(c) **Job3** :- \$ _____

⌘ 10.6 Why do you think people are paid cash-in-hand? By cash-in-hand we mean cash money that tax is not paid on.

	Definitely not	Unlikely	Unsure	Probably	Definitely
1. Reduced costs for employers	1	2	3	4	5
2. Allows employers to avoid paying compensation, insurance, superannuation etc.....	1	2	3	4	5



Nearly finished! Why not have another coffee break before completing the questionnaire?



11. SOME OTHER ISSUES

11.1 To what extent do you agree or disagree with the following statements given your current situation:

	Strongly disagree	Disagree	Neither	Agree	Strongly agree
1. I would be better off if I worked less given the rate at which I am taxed.....	1	2	3	4	5
2. Paying tax removes the incentive to earn more income.....	1	2	3	4	5
	Strongly disagree	Disagree	Neither	Agree	Strongly agree
3. Paying tax means I just can't get ahead	1	2	3	4	5

11.2 The government spends taxpayers' money in many different areas. Below are just a few of these areas. For each area, do you think the government should be spending less money, keeping things as they are, or spending more money?

	Much less	Less	Same	More	Much more
1. Education	1	2	3	4	5
2. Defence	1	2	3	4	5
3. Health care	1	2	3	4	5
4. Law courts & legal aid.....	1	2	3	4	5
5. Policing	1	2	3	4	5

6. Preventing illegal immigration	1	2	3	4	5
7. Welfare.....	1	2	3	4	5
8. Employment.....	1	2	3	4	5
9. Scientific research.....	1	2	3	4	5
10. The arts (film, music, dance)	1	2	3	4	5
11. Industry development.....	1	2	3	4	5

11.3 Overall, how dissatisfied or satisfied are you with the way the government spends taxpayers' money? (*Please circle a number*)



11.4.1 These questions are about which political party you prefer. Do you usually think of yourself as a supporter of a political party?

- Yes1
- No2 -- skip to 11.5 1

11.4.2 **If yes**, do you usually think of yourself as Liberal, Labor, National or what?

- Liberal.....1
- Labor.....2
- National3
- Australian Democrats4
- One Nation.....5
- Greens.....6
- Other7

1 11.5 When policy makers design a new tax system, how much importance do you think they should attach to the following issues:

1 = Not important
 2 = Somewhat important
 3 = Important
 4 = Very important
 5 = Of the utmost importance

1. Broadening the tax base so that everyone makes some contribution..... 1 2 3 4 5
2. Ensuring that people who are wealthier pay more tax..... 1 2 3 4 5
3. Ensuring that large corporations pay their fair share 1 2 3 4 5
4. Keeping the costs of administering the tax system down..... 1 2 3 4 5
5. Making the whole tax system simpler through getting rid of as many exemptions as possible..... 1 2 3 4 5
6. Giving corporations incentives to serve the community (e.g. create jobs, contribute to public goods, support sport and the arts) 1 2 3 4 5
7. Getting rid of the grey areas of tax law..... 1 2 3 4 5
8. Making the amount of tax paid by all large corporations publicly available 1 2 3 4 5
9. Getting rid of as many deductions as possible..... 1 2 3 4 5
10. Looking into a flat rate of tax 1 2 3 4 5
11. Improving the competitiveness of Australian business 1 2 3 4 5
12. Making sure that the government has a secure source of revenue to provide public goods..... 1 2 3 4 5
13. Keeping taxes as low as possible 1 2 3 4 5
14. Minimising the regulations and the paper work for taxpayers 1 2 3 4 5

11.6 This question is asking what YOU think.

1. Do YOU think you should honestly declare cash earnings on your tax return? *No!! No Don't Know Yes Yes!!*
2. Do YOU think it is acceptable to overstate tax deductions on your tax return?..... *No!! No Don't Know Yes Yes!!*
3. Do YOU think that the tax you pay is fair given the goods and services you get from the government?..... *No!! No Don't Know Yes Yes!!*
4. Would YOU prefer to pay less tax even if it means receiving a more restricted range of goods and services?..... *No!! No Don't Know Yes Yes!!*

5. Do YOU think working for cash-in-hand payments without paying tax is a trivial offence?..... *No!! No Don't Know Yes Yes!!*

6. Do YOU think the government should actively discourage participation in the cash economy? *No!! No Don't Know Yes Yes!!*

11.7 Now we would like to know what you think MOST PEOPLE think.

1. Do MOST PEOPLE think they should honestly declare cash earnings on their tax return?..... *No!! No Don't Know Yes Yes!!*

2. Do MOST PEOPLE think it is acceptable to overstate deductions on their tax return?..... *No!! No Don't Know Yes Yes!!*

3. Do MOST PEOPLE think that the tax they pay is fair given the goods and services they get from the government?..... *No!! No Don't Know Yes Yes!!*

4. Would MOST PEOPLE prefer to pay less tax even if it means receiving a more restricted range of goods and services?..... *No!! No Don't Know Yes Yes!!*

5. Do MOST PEOPLE think working for cash-in-hand payments without paying tax is a trivial offence? *No!! No Don't Know Yes Yes!!*

6. Do MOST PEOPLE think the government should actively discourage participation in the cash economy?..... *No!! No Don't Know Yes Yes!!*

11.8 Consider the following situations. When would you use cash and when would you use something else (e.g. cheque, credit card, eftpos)?

1. In the supermarket with less than \$50 worth of goods **Cash Don't use cash**

2. In the supermarket with more than \$50 worth of goods **Cash Don't use cash**

3. In a store (e.g. sports, clothes, books, gifts) with less than \$50 worth of goods **Cash Don't use cash**

4. In a store (e.g. sports, clothes, books, gifts) with more than \$50 worth of goods **Cash Don't use cash**

5. In a restaurant with a bill of less than \$50 **Cash Don't use cash**

6. In a restaurant with a bill of more than \$50 **Cash Don't use cash**

11.9 Please give your best estimate of how much cash would go through your wallet or purse over a course of a normal week?

\$ _____

11.10.1 Do you generally use a tax agent or advisor to prepare your income tax return?

Yes1

No2 -- skip to 11.11 ✿

11.10.2 **If yes**, how well do the following statements describe his/her approach to taxation matters?

	Strongly disagree	Disagree	Neither	Agree	Strongly agree
1. I have a tax agent who is clever in the way she/he arranges my affairs to minimize tax	1	2	3	4	5
2. My tax agent is a very honest person	1	2	3	4	5
3. My tax agent helps me interpret ambiguous or grey areas of the tax law in my favour	1	2	3	4	5
4. My tax agent has suggested complicated schemes I could get into to avoid tax.....	1	2	3	4	5
5. My tax agent has warned me against getting involved in tax planning schemes	1	2	3	4	5

✿ 11.11 What priority would you place on the following qualities if you were to choose a tax agent or advisor?

	<u>Priority</u>			
	Low	Medium	High	Top
1. Someone who just does it and doesn't bother me with it	Low	Medium	High	Top
2. Someone who knows their way around the system to minimize the tax I have to pay	Low	Medium	High	Top
3. Someone who will take advantage of grey areas of the law on my behalf.....	Low	Medium	High	Top

4. Someone who is able to deal with any problems that arise	Low	Medium	High	Top
5. Someone who is well networked and knows what the Tax Office is checking on at any particular time	Low	Medium	High	Top
6. A creative accountant.....	Low	Medium	High	Top
7. Someone who can deliver on aggressive tax planning.....	Low	Medium	High	Top
8. Someone who will do it honestly and with minimum fuss	Low	Medium	High	Top
9. Someone who does not take risks and only claims for things that are clearly legitimate	Low	Medium	High	Top

11.12 How much are the following like you?

	Not at all	A little bit	A fair bit	Very much
1. I feel competent to do my own income tax return	1	2	3	4
2. I don't keep my income and expense documentation very well for tax purposes	1	2	3	4
3. I tend to put my income tax return off until the last minute.....	1	2	3	4
4. Preparing an income tax return is a low priority in my life	1	2	3	4
5. Other things always seem to get in the way of doing my tax	1	2	3	4
6. I have someone else who looks after my tax matters for me	1	2	3	4

12. BACKGROUND INFORMATION

The final section asks questions about yourself and your family background. These characteristics are very important to our research on how different people in different circumstances feel about tax issues.

12.1 Firstly, what is your sex?

- Male1
- Female2

12.2 What is your age in years? _____ *years*

12.3 In what country were you born? _____

12.4 What is your current marital status?

- Never married1
- Now married (including de facto relationships)2
- Widowed3
- Divorced or separated4

12.5 What was the highest level of education you completed?

- Did not have any or much formal schooling1
- Primary School2
- Junior/ Intermediate/ Form 4/ Year 103
- Secondary/ Leaving/ From 6/ Year 124
- Trade certificate/Nursing Diploma5
- Diploma Course6
- University/Tertiary Degree7
- Post-graduate Degree8

12.6 Now some questions about the work that you are doing. Last week were you ...

- Working full time for pay1
- Working part-time for pay2
- Unemployed3
- Retired from paid work4
- Full-time student5
- Keeping house6 } *skip to 12.8* ❁

12.7 What kind of work do you do? Please give your full job title and as much detail as you can. If you are retired or unemployed, please describe your last regular paid job.

1. Job title

2. Main tasks that you do

3. Kind of business or industry

4. Is (was) that job for ...

- A private company or business.....1
- Non-profit organisation eg university.....2
- Commonwealth, state or local government3
- Self-employed; in partnership; own business.....4

* 12.8 What kind of work were you doing in 1998-99?

- Same as now1 -- skip to 12.9 *
- Different.....2

12.8.1 **If different**, please describe the kind of work you were doing then.

1. Job title

2. Main tasks that you did

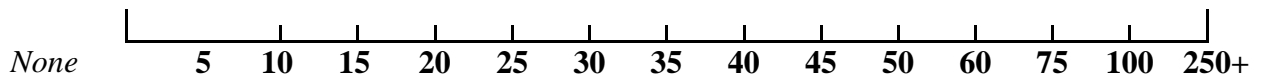
3. Kind of business or industry

4. Was that job for ...

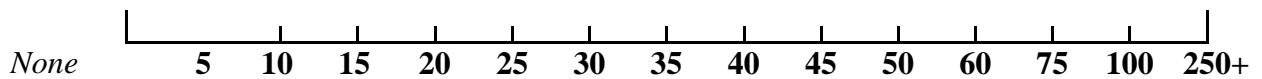
- A private company or business.....1
- Non-profit organisation eg university.....2
- Commonwealth, state or local government3
- Self-employed; in partnership; own business.....4



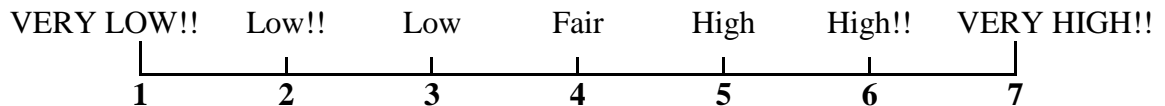
12.9 All in all, what was your *family's* income last year – about how many *thousand* dollars? (*Please circle a number*)



12.10 And your own personal income – about how many thousand dollars? (*Please circle a number*)



12.11 Are you paid fairly? We are asking about what you think is morally right – not about what you do earn, nor what you would like to earn – but what you feel you deserve, what you ought in fairness earn given your skills and the like. All in all, how fair is your pay?



12.12 How many children do you have living with you at home?

- None.....0
- One.....1

Two.....	2
Three.....	3
Four or more	4

12.13 Do you pay any of the following?

1. HECS for yourself?.....	Yes	No
2. HECS for a family member?.....	Yes	No
3. Child support?.....	Yes	No

12.14 Last week, did you have a husband, wife or de facto who was

Working full time for pay	1
Working part-time for pay	2
Unemployed.....	3
Retired from paid work.....	4
Full-time student.....	5
Keeping house	6 } <i>skip to the end</i>

12.15 **If your husband, wife or de facto has a regular job**, please describe the kind of work that he/she does.

1. Job title

2. Main tasks that he/she does

3. Kind of business or industry

4. Does he/she work for ...

A private company or business.....	1
Non-profit organisation eg university.....	2
Commonwealth, state or local government	3

Self-employed; in partnership; own business4

**THANK YOU VERY MUCH FOR FILLING OUT THE
QUESTIONNAIRE!!**

We know that it was a long questionnaire and that there have been some hard questions. But they were important and we really appreciate your dedication in seeing it through to the end.



Please put it in the return envelope and mail it back to us at the Australian National University. Your co-operation has been a great help. Thanks again!

If you have any comments which you would like to add, please write them below.

**THE CENTRE FOR TAX SYSTEM INTEGRITY
WORKING PAPERS**

- No. 1. Braithwaite, V. & Reinhart, M. *The Taxpayers' Charter: Does the Australian Taxation Office comply and who benefits?* Dec. 2000.
- No. 2. Braithwaite, V. *The Community Hopes, Fears and Actions Survey: Goals and Measures.* March 2001.