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Why young people are less compliant on tax: Enduring or transient defiance?

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ABSTRACT

One of the more consistent predictors of tax non-compliance has been age: Younger people are less compliant in attitude and behaviour than older people. Some interpret this finding as youthful defiance that young people will “age through.” Others ask if tax systems are losing some of their credibility in modern day democracies. Using data from the *Community Hopes, Fears and Actions Survey*, this paper confirmed that young people are less compliant and have a relatively poor pro-tax sensibility.

However, less behavioural compliance on the part of young people could not be explained satisfactorily by their poor pro-tax sensibility. When age and pro-tax sensibility were compared as predictors of compliance across a number of specific compliance outcomes, variables of personal tax ethics and preference for honest tax advice (tax morale variables) were far more important determinants of compliance than the age of the taxpayer. Australia’s taxpaying culture, rather than its youth culture holds the key to high tax compliance.

Keywords: Age; Taxcompliance; Tax morale

1. Introduction

A relatively consistent finding in tax compliance research has been that younger people are less likely to be compliant in their taxpaying than middle aged and older people (Jackson & Milliron, 1986; Mason & Calvin, 1978; Orviska & Hudson, 2002; Andreoni, Erard & Feinstein, 1998; Wearing & Headey, 1997). Possible explanations are not in short supply. Younger taxpayers may be less knowledgeable about tax matters (McKerchar, 2002; Niemirowski & Wearing, 2006), they may have a poorly developed sense of social or moral obligation (Wearing & Headey, 1997), they may work in the black economy without easy entrée into taxpaying culture (Reinhart, Job & Braithwaite, 2004), they may be more defiant of conventional authority (Kirchler, 1999), or they may regard taxation as unfair, warranting political resistance (Watts, 1999).

Surprisingly, while the explanations are familiar, there is relatively little research that addresses the question of which explanations are best supported by data. Torgler and Valev (2006) suggest that there are just too many variables in the mix to uncover the variables that are doing the main part of the work. Yet they recognize the importance of beginning the task of unpicking the mystery. Understanding why younger generations can be less compliant has important implications for tax administrations and institutions of governance more generally. The key policy question is whether education campaigns need to be targeted at younger age groups to ensure they know about their obligations to the state; or whether the issue is a deeper one, requiring the democracy to have a thoughtful and meaningful discussion about the purpose of tax systems and their future sustainability.¹

Inexperienced, under-socialized, rebellious, politically active or a new worldview?

¹ Niemirowski and Wearing (2006a) and McKerchar (2002) support the former policy initiative. The Swedish Revenue Authority has favoured the latter (Wittberg, 2006).

Explanations for tax evasion among younger generations can be investigated within two different, though not necessarily incompatible, theoretical frameworks. The first understands compliance as largely self-regulatory behaviour (Carver & Scheier, 1998; Mitchell, 1994) and identifies three necessary conditions: knowledge of goals, commitment to goals, and available pathways for achieving these goals. In other words, taxpayers must be clear about what tax they have to pay, they must believe that they should do it either because it is the law or because they believe it is desirable to support the democracy,² and they must have easy-to-follow pathways for doing so.

The way in which this model can be used to explain lower compliance among younger taxpayers is through arguing that on all these counts, the young are “disadvantaged.” As relatively new taxpayers, they lack the “how to” knowledge and the “ought to” sentiment that would make them honest taxpayers. Exacerbating the problem is the well-documented rebelliousness or anti-conventionality of the young. Criminological theories of younger people having relatively poorer impulse control or weaker social controls resonate in relation to taxpaying (Gottfredson & Hirschi, 1990; Sampson & Laub, 1993). Younger taxpayers may be more willing to risk the consequences of breaking the law, or may not even be familiar with what these consequences are. The concept of reactance (Brehm & Brehm, 1981), describing a response of rejection to an authority’s attempt to restrain freedom, might be expected to be present among young taxpayers. Kirchler (1999) observed reactance among new business owners when they were confronted with their tax obligations, but with time, reactance subsided. Watts (1999) uses the concept “actionism” to describe peaks in late adolescents and early adulthood in displays of politically extreme or disruptive

² Orviska and Hudson (2002) make the distinction between law abidance as a desire to be law abiding and civic duty as a belief in the benefits from a system of taxation.

behaviours in relation to social conditions that trigger dissatisfaction in the community. Watts' work suggests that young adults may be more openly defiant of tax authority and engage in more blatant displays of tax evasion.

The above explanations attribute tax non-compliance among the young to transitional states of inexperience, poor socialisation, social rebellion or political resistance. The expectation is that younger taxpayers will "age-out of" non-compliance or defiance as they gain greater understanding of the processes and grow into acceptance of their taxpaying role.

The second theoretical framework implies no such ageing-out effect and posits social change as the explanation for why younger taxpayers are less likely to comply. Less certainty, greater need for individual adaptability, greater awareness of individual rights, and the desire for individual freedom have all been hallmarks of responding to a globalised world. Younger generations have been notably more enthusiastic in embracing individualism and expressing scepticism about government agendas (Inglehart 1997; Putnam, 2000). The central proposition of social change theorists is that experiences in the formative years play a profoundly important role in how each successive generation negotiates the life-course. This means that younger taxpayers won't become well-socialised into the customs established by older generations. Rather the reverse may happen, with young taxpayers leading the way in showing how taxpaying obligations might be re-conceptualised and re-negotiated with government.

1.1 The present study

The non-compliance of the young could be due to younger people lacking capacity to fulfil taxpaying requirements. Or the problem might relate to what young people want, like or should do, as opposed to what they can do. The term “pro-tax sensibility” will be used as an umbrella term for the factors that shepherd individuals toward paying their tax voluntarily. Sensibility is used to capture not only the mentality we have toward tax, but also our sensitivity and responsiveness to society’s expectations. If young people display a diminished pro-tax sensibility, it could be because they need time to become acculturated to taxpaying expectations or because they are the vanguard of a new taxpaying culture.

The ideal research design for answering this question is a panel study that extends over generations and that offers multiple measures of specific youth related deficits and broader measures of how young people orient themselves to government. The current study does not offer panel data. It does, however, offer multiple measures of capacity and pro-tax sensibility that extend from specific indicators of obedience to more discursive forms of community engagement with taxation. Considered in total, the findings provide insight into attributes that could be reasonably interpreted as part of youth culture, and those that suggest changing tax culture.

Five main hypotheses are put forward for testing using cross-sectional survey data.

Hypothesis 1: Tax non-compliance is higher among under-30s on a range of compliance measures.

If non-compliance in the young is linked to lack of experience, knowledge, rebellion, political resistance or a new world view of taxpaying, the expectation would be that all facets of voluntary taxpaying would be affected. If age differences are only

evident in a particular form of tax non-compliance, the differences may say more about tax design than individual capacity and willingness to comply.

Hypothesis 2 (a): The under-30s are less competent, have disincentives for lodging a tax return, and are less likely to have expert advice on tax matters (capacity variables).

Hypothesis 2 (b): Lower capacity among the under-30s explains higher non-compliance.

Capacity refers to knowing how to get something done. There are performance based measures and subjective measures reflecting belief in one's capacity to achieve a goal. Capacity involves personal know-how as well as the ability to harness resources and access pathways to assist in achieving a goal. In the context of the current research, low capacity on tax issues is defined in terms of self-perceptions of a knowledge deficit whereby younger people perceive themselves as not knowing what is expected, lacking the basic skills, and not having people to turn to for help. Low capacity may also manifest itself financially: Young people may not have money on hand to pay their tax liability.³

Hypothesis 3 (a): The under-30s have a weaker personal tax ethic to be honest, are less fearful of being caught and punished for tax cheating, and are less convinced that the system deals with them fairly (moral pro-tax sensibility variables).

Hypothesis 3 (b): Low scores on the moral pro-tax sensibility variables among the under-30s explain higher non-compliance.

Resistance to personal norms of obligation and rejection of external constraints are trademarks of youth and can reasonably be expected to result in defiance to

³ Most Australians are covered by a tax withholding system and look forward to tax monies being returned to them after they lodge their tax return. If young people have an unstable employment history and have worked for cash for significant periods, they may fear tax lodgement because it could expose them to a tax liability and future financial hardship.

traditional regulatory institutions such as taxation. Similarly, perceptions of unfairness may be felt more keenly among younger age groups who have not grown accustomed to the anomalies of a complex tax system. Lack of a moral pro-tax sensibility may or may not be enduring. The path that young people travel as they go through life will determine the extent to which taxpaying attitudes and behaviours change with time. As an initial starting point, however, the argument that inadequate socialisation into society's taxpaying traditions can account for lack of a moral pro-tax sensibility among the young is highly plausible. In this paper, lack of a moral pro-tax sensibility is represented by lack of moral obligation, disregard for sanctions, and perceptions of unfairness.

Hypothesis 4 (a): The under-30s question the benefits of the tax system, consider it an institution that can be dispensed with, and give low priority to tax (irrelevancy variables).

Hypothesis 4 (b): The view of the tax system as an irrelevancy among the under-30s explains higher non-compliance.

The rise of individualism, the influence of globalisation, the rising popularity of small governments and free markets, and a user-pays mentality all call into question the relevance and value of the tax system in the eyes of the public. One by-product of this change is the very visible intergenerational inequity in the support offered by government. Older generations in many countries have been beneficiaries of an era when the welfare state was strong, and not surprisingly, older age groups expect government to protect the aged, the infirm and the poor. Younger generations are today contributing to these benefits for older generations through their taxes, although they are aware that such benefits may not be available to them when they grow old.

Younger generations have reason for resentment, but then again they may have experienced government in a different way from older generations; and therefore have a different sensibility surrounding what government will do for them and what they will do for government. As pointed out by many social theorists and commentators (Mackay, 1997; Putnam, 2000), younger generations have a stronger sense of individualism than previous generations. Mackay, like Wyn & Dwyer (1999), points to the way in which younger persons express a commitment to making their way, watching out for opportunities, remaining flexible, and keeping their options open. They seem less conscious of structural impediments to 'making good' (Wyn & Dwyer, 1999), suggesting that they are far more self-reliant on their own resources and creating pathways to achieve their objectives. With this worldview, an important question to ask is how significant a role does government play in the lives of the younger generation and are they moving away from an unquestioning acceptance of taxpaying as serving the public good?

Hypothesis 5 (a): The under-30s have adopted community discourses about taxation that enable them to remain socially distant from tax authorities and therefore insulated from social pressure to comply (insulated tax sensibility variables).

Hypothesis 5 (b): Insulated tax sensibility variables among the under-30s explains higher non-compliance.

Social distance from authority, or insulation from the influence of authority, is represented by motivational postures (Braithwaite, Braithwaite, Gibson, & Makkai, 1994; Braithwaite, 1995; Braithwaite, 2003; Braithwaite, Murphy, & Reinhart, 2007). Motivational postures are conglomerates of attitudes, beliefs, and preferences that signal to an authority how socially distant an individual wishes to be from that authority. They are narratives that individuals assemble with others in the community

to convey information about the degree of liking for authority and the status that is ascribed to that authority.

Five postures have been measured and used in previous research as markers of the social distance between the taxpayer and the tax authority. Close social distance is characterised by postures of *commitment* or *capitulation* to the tax office.

Commitment is characterised by a belief in the desirability of the system and acceptance of a personal obligation to make sure it works. Capitulation is characterised by willingness to be part of the system, not because of the goals it pursues for the betterment of society, but because to do otherwise would risk damage and inconvenience. Being part of the system brings security and approval.

Greater social distance manifests itself as *resistance* to, or *disengagement* from the tax office. Resistance is likely to be associated with poor or strained bonds with the tax office. A resistant individual is likely to feel that the tax office is not treating him/her with respect and oppressing taxpayers. While resistance is associated with a desire for trust and respect within the system, disengagement represents estrangement. The disengaged individual has given up on the system, and no longer seeks to be reconciled with it. Those who are disengaged are likely to have a negative, dismissive or even apathetic attitude towards the tax office, with little concern for possible threats to elicit compliance. The fifth posture, *game playing*, occurs when a taxpayer uses tax law and rules to undermine the tax system. Game playing is a mindset that aims to 'win' the game by manipulating the rules to one's advantage. The tax authority becomes a competitor, not an authority commanding subservience.

The extent to which the under-30s are estranged from the tax system should be reflected in their motivational posturing. They should be less committed, less prepared

to capitulate to authority, more resistant, more disengaged and more prepared to game play.

The above hypotheses were tested using quantitative data from the *Community Hopes, Fears and Actions Survey*. The data analysis for the paper is organized in two parts. In Part 1, younger people (under 30 years of age) are compared with groups of respondents who are middle-aged (between 30 years and 55 years of age) and older (over 55 years of age) on sets of measures that represent (a) tax non-compliance; (b) capacity; and (c) pro-tax sensibility (moral, irrelevant and insulated forms of tax sensibility). Part 2, addresses an implied proposition in the literature, that is, that attitudinal indicators of low capacity and deficiencies in pro-tax sensibility are associated with young people figuring disproportionately among taxpayers who are behaviourally non-compliant.

2. Method

2.1 Research methodology

In 2000, a national survey, the *Community Hopes, Fears and Actions Survey*, was conducted. The 2040 respondents who completed the survey were among a sample of Australians whose names were drawn from the publicly available electoral rolls by means of a stratified random sampling frame. The purpose of the survey was to find out what Australians thought of their tax system. Self-completion questionnaires were posted to respondents with a reply-paid envelope. Completed and returned surveys represented 29% of the targeted sample. While this was lower than desirable, it is consistent with the response rates obtained by other survey researchers who have

focused on the issue of taxation (Kirchler, 1999; Pope, Fayle, & Chen, 1993; Wallschutzky, 1996; Webley, Adams, & Elffers, 2002). In order to assess the bias associated with the participating sample, a number of comparative analyses have been conducted (Mearns & Braithwaite, 2001; Braithwaite & Reinhart, 2005). The findings support the conclusion that the *Community Hopes, Fears and Actions Survey* provides a broad cross-section of the population and is suitable for uncovering and explaining relationships among variables in a general population sample.

3. PART 1: SURVEY DATA AND FINDINGS

The sample of 2040 respondents was subdivided into three groups: those under 30 years of age (the younger group), those between 30 and 55 (the middle aged group), and those older than 55 (the older group). Respondents were included in the groups, regardless of whether or not they declared themselves taxpayers. There were 239 respondents in the younger group, 1120 in the middle aged group, and 648 in the older group.

At times, continuous variables yielded distributions in which the variation of scores within an age group differed statistically from the variation in scores observed for other age groups. While assumptions of homogeneity of variance were therefore not always met, the differences were not so large as to challenge the robustness of the statistical tests, particularly given the large number of cases in each group. In most cases, a one-way analysis of variance was appropriate. Where this was not the case, data were analysed at a categorical level using chi-square tests of independence.⁴

⁴ On occasion, highly skewed interval data were analysed with one-way analysis of variance and subsequently collapsed into categories so that a chi-square test of independence could be used to

In the first set of analyses, one-way analyses of variance (ANOVAs) and chi-square tests of independence were used to find out if those under 30 years of age were more likely to be involved in tax evasion than middle-aged and older age groups. Subsequently, these methods of analysis were used to compare the same age groups in terms of capacity and pro-tax sensibility. The measures used to represent non-compliance, capacity and pro-tax sensibility have been described in detail in Braithwaite (2001). For the most part they comprise multi-item scales. All have been used in previous publications and have been shown to have acceptable levels of reliability and validity. For ease of interpretation, the survey questions associated with each of the measures will be reviewed as the findings are presented below.

3.1 Non-compliance: survey questions and findings

Respondents were asked to report on how much of their income they had declared in their last tax return, and how likely it was that they had claimed false deductions when they lodged the return. In addition, data were collected on lodgement history, whether the respondent had worked in the cash economy in the last 12 months, and on whether the respondent carried a debt with the tax office. A caveat to be noted is that those carrying a debt could be doing so for a variety of reasons, and they could be doing so with the permission of the tax office. We are assuming, however, that most debt that is reported in a survey such as this falls under the non-compliance umbrella.

Undeclared income: This index comprised a general question, “As far as you know, did you report all the money you earned in your 1998-99 income tax return?” and 7 specific measures requiring respondents to run down a checklist and consider

confirm the previously established relationship. All significant effects reported in this paper passed both tests.

whether they had reported all or just some of the income derived from the following sources: (a) salary and wages; (b) honorariums, tips, allowances, bonuses, director's fees; (c) eligible termination payments; (d) Australian government allowances; (e) Australian government pensions; (f) interest; and (g) dividends. Responses to individual questions were added together to produce the undeclared income index ranging from 0 to 8 with 8 representing multiple instances of evasion.

Over-claiming deductions: This index combined responses to two questions: How much did you exaggerate the amount of deductions or rebates and how confident are you that the claims were legitimate. Responses to individual questions were standardized before being added together to produce the over-claimed deductions index. The higher the index, the greater the exaggeration of deductions.

Outstanding lodgement: This index combined responses to three questions: Should you have filed an income tax return for 1998-99, did you file this return, and have you any income tax returns not yet completed from previous years. Respondents scored one point if the 1998-99 return had not been filed and should have been, and another point if there were outstanding returns from previous years. Scores ranged from 0 to 2.

Cash economy income: This was measured through a single question, "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." Responses were scored 0 for "no" and 1 for "yes."

Tax office debt: This was measured through a single question, "Do you have an outstanding debt with the tax office?" Responses were scored 0 for "no" and 1 for "yes."

INSERT TABLE 1 ABOUT HERE

Findings: The mean scores on the indices and the “yes” percentages for the single item questions appear in Table 1, together with F and chi-square coefficients for the one-way ANOVAs and chi-square tests of independence respectively.⁵ Post-hoc significance tests were used to find out whether the younger group was distinctively different from both the middle-aged and older groups. Comparisons of pairs of means were made using the Least Significant Difference test (LSD). For the categorical data, the chi-square test of independence was carried out on the younger age group versus others.

On these 5 indicators of non-compliance, young people obtained significantly and substantially higher scores than middle aged and older groups on not declaring all their income, on over-claiming deductions, on receiving money through the cash economy (16% of the younger age group were in the cash economy, compared with 6% of the middle-aged and 2% of the older age group), and owing the tax office money (6% of the younger age group owed money, compared with 4% of the middle-aged and 1% of the older age group). The younger and middle aged groups proved to be similar on lodgement of tax returns, but neither was as up-to-date as the older age group.

3.2 Capacity: survey questions and findings

⁵ Tests of independence were based on the 3 age groups initially and were repeated for younger versus other age groups to ensure that the younger group was distinctive in their response pattern. The reported Chi-square coefficients refer to younger versus other. All Chi-square coefficients were significant.

Three questions were used to ascertain how able young people perceived themselves to be in managing taxation responsibilities. The potential of young taxpayers to be compliant may be compromised if they feel less competent in filling out their tax return, in getting organised to keep tax documentation, and less knowledgeable about tax office expectations than other taxpayers.

The remaining two questions represented capacity through the availability of pathways that made tax lodgement easier. Compliance is more likely when there is support for lodgement in the form of others to help and a reward at the end of the process. Young taxpayers may be less aware of or have less access to good tax advice, and if much of their work is cash economy work, they may have less prospect of looking forward to a refund when they lodge their tax return.

Self-perception of competence: This was a single item measure in which respondents indicated on a 4 point scale how well this statement described them, “I feel competent to do my own income tax.” A score of 4 reflected a match between person and statement.

Poor record-keeping skills: This also was a single item measure in which respondents indicated on a 4 point scale how well this statement described them, “I don’t keep my income and expense documentation very well for tax purposes.” A score of 4 reflected a match between person and statement.

Deficit in knowledge of what is expected: Respondents were asked the following question: When preparing for the lodgement of your income tax return, how well did you understand what the tax office expected of you? Was your understanding of what was required (a) extremely good, (b) good, (c) reasonable, (d) partial, or (e) poor. The scores ranged from 1 for extremely good to 5 for poor.

Support network: Respondents reported who they relied upon in preparing their 1998-99 tax return: (a) family member or close friend; (b) tax agent or advisor; (c) business partner; (d) tax office; (e) industry association; and (f) work employee. Only two sources of help were important - family/friends and tax agents/tax advisors. All others were endorsed by less than 7% of respondents.

Tax refund: One question was used to find out if the respondent usually obtained a refund or usually had to pay additional tax after lodgement of the return: "Over the past four years, have you been most likely to receive money from the tax office when you lodged your tax return, or are you most likely to owe them money, or is it half and half?" The data were scored as 1 for mostly receiving a refund and 0 for other.

INSERT TABLE 2 ABOUT HERE

Findings: Comparisons of the three age groups produced the results in Table 2. The procedures for statistical analysis were the same as those used above in Table 1.

Respondents in the younger group were not significantly different from older age groups in their perception of their own competence to do their tax return. In keeping with their self-perceptions of competence, younger taxpayers were on a par with middle-aged taxpayers in keeping the financial records needed to complete their tax return. This proved to be more of a problem for the older age group. Possibly, their tax affairs tend to be more complicated.

Younger respondents relied on family and friends more than other age groups to complete their tax returns (40% compared with 19% among the middle-aged and 15% among the over-55s). They were significantly less likely than other groups to

rely on tax agents or advisors (59% compared with 80% among the middle-aged and 80% among the over-55s).

Of the three age groups, the younger group were most likely to be owed money by the tax office after lodging their tax return. Refunds were reported by 79% of the under-30s, 69% of the middle-aged group, and 45% of the over-55s.

Only the measure of knowledge deficit produced data that supported the hypothesis that the younger age group had less capacity to comply than older age groups. The younger group were significantly less confident that they had a good understanding of what the tax office expected. The difference, however, was only significant when the comparison was made with older respondents. Middle-aged respondents and younger respondents were not significantly different.

The picture that emerges from these findings is that younger taxpayers perceived their capacity to be relatively high. They considered themselves competent, organized in keeping track of their tax records, able to rely on family and friends for help, and usually in receipt of a refund from the tax office. The weakness in their capacity appeared to lie in understanding what the tax office expected of them. Presumably the task of lodgement for most of them is straightforward, given that most can do their tax themselves and manage to receive a refund. The taxpaying situation they find themselves in is one where learning about taxation takes place through informal rather than formal networks. Maybe younger people in particular need the feedback that tax agents and advisors have to offer if they are to better understand tax office expectations.

3.3 Moral pro-tax sensibility: survey questions and findings

The extent to which younger people lagged behind in developing a moral pro-tax sensibility was inferred primarily from five measures. First was a failure to internalise obligations under tax law that would lead to a poor ethical stance on being honest about taxpaying; second was little guilt or shame if caught for tax evasion; and third was little regard for having a tax advisor who advocated an honest and no-fuss approach. Each of these manifestations of poorly internalised taxpaying ethics was measured and considered more likely among younger taxpayers.

A moral pro-tax sensibility was also inferred from awareness of the external constraints that were in place should one stray, specifically the deterrence measures of being caught and punished (Grasmick & Bursik, 1990; Scholz & Pinney, 1995). Perceived deterrence sets boundaries on actions that are not acceptable, so that even if ethical norms for taxpaying have not been internalised, there is awareness that such norms are considered desirable and that taxpaying standards are enforced. The higher risk taking of younger people suggested that they could be unaware or dismissive of the consequences of tax evasion.

The under-30s are likely to rationalize their rebellion and resist being socialized into a pro-tax sensibility if they perceive the tax system as being unfair. Thus, measures were taken of the degree to which respondents felt that tax office decisions generally went in their favour (distributive justice) and the degree to which they were treated with respect, as trustworthy and with impartiality (procedural justice). It was assumed that perceptions of injustice would impede adoption of a pro-tax sensibility.

Ethical taxpaying norm: The scale that was used to measure personal tax ethics was similar to that used by Wenzel (2004) and was formed by averaging rating scale responses (no!! (1) through yes!!(5)) to the following items: (a) Do YOU think you

should honestly declare cash earnings on your tax return?; (b) Do YOU think it is acceptable to overstate tax deductions on your tax return? (reverse scored); (c) Do YOU think working for cash-in-hand payments without paying tax is a trivial offence? (reverse scored); (d) Do YOU think the government should actively discourage participation in the cash economy? Scores ranged from 1 to 5 with 5 representing a pro-tax ethical norm.

Ideal of an honest, no fuss tax advisor: Respondents were asked about their ideal tax advisor (Sakurai & Braithwaite, 2003). If honest taxpaying norms are internalised, the ideal is likely to be “someone who will do your return for you honestly with the minimum of fuss” and “someone who does not take risks and only claims for things that are clearly legitimate.” Responses to these two items were averaged. Scores ranged from 1 for low priority to 4 for top priority.

Guilt and shame: Respondents completed Ahmed’s 9 item shame acknowledgment scale (see Ahmed & Braithwaite, 2005). They were asked to report how likely it would be for them to experience guilt and shame in the event that they were caught for cheating on their tax. They were asked to imagine themselves being caught in two settings, one in which they had failed to declare \$5000 in income, the other in which they over-claimed \$5000 in deductions (sample item: If you were caught and fined for not declaring cash income (or over claiming deductions), would you feel guilty?). Scores ranged from 1 to 5 with 5 representing high tax morality and guilt over wrongdoing.

Perceived deterrence: The above scenarios were used to not only measure guilt and shame, but also the likelihood of being caught and the likelihood of receiving the following punishment: (a) pay the tax owing with interest; (b) pay tax, interest and a substantial fine; (c) pay tax, interest and be taken to court; (d) pay tax, interest, be

taken to court and pay a substantial fine. Two measures were developed. The first comprised the average of the chances of being caught in the two scenarios. The second involved calculating for each scenario the mean probability of receiving the four possible sanctioning outcomes, and then calculating the average across the two scenarios. Higher scores indicated greater recognition of deterrence.

Distributive justice: The degree to which respondents perceived the outcomes of tax decisions going in their favour or against them was measured through averaging responses to two questions: (a) How often do you agree with the decisions made by the tax office? (b) How often are the decisions of the tax office favourable to you? Scores ranged from 1 to 5 with 5 representing always favourable.

Procedural justice: Believing one is treated with respect, as trustworthy and with impartiality are centrally important in ensuring that processes of governance are regarded as fair and reasonable. Procedural justice was measured through 8 items adapted from Tyler (1997) (sample item: The tax office respects the individual's rights as a citizen). Scores ranged from 1 to 5 with 5 representing perceptions of high levels of procedural justice.

INSERT TABLE 3 ABOUT HERE

Findings: Table 3 shows strong support for the hypothesis that younger age groups were lagging behind the middle aged group in the process of internalising taxpaying norms, and the middle aged group, in turn, were lagging behind the over-55s. The under-30s displayed weaker ethical taxpaying norms than other age groups, they showed less interest in having an honest, no-fuss tax advisor, and they were less likely to report guilt and shame when asked to imagine that they were caught for tax

evasion. Perceptions of the likelihood of being caught and punished were lowest among the under-30s, increasing for the middle-aged group, and increasing again for the over-55s.

The same pattern of increasing doubt about tax with each younger age group was evident with the measure of distributive justice. Respondents most likely to report favourable outcomes from the tax system were the over-55s, while those least likely to respond favourably were the under-30s. With regard to procedural justice, the under-30s and the middle-aged group responded similarly and expressed more concern about procedural fairness than the older age group.

3.4 Perceived irrelevancy of the tax system: survey questions and findings

Three measures were included to represent the value that respondents placed on having a tax system: benefits from paying tax, priority placed on taxpaying, and abolition of the tax system.

Less tax, fewer services: If respondents felt that tax was not offering and was not likely to offer them the benefits they expected, their desire to downgrade their contribution to the system should be high. Two questions representing support for a more restricted tax system were used: (a) Do you think the tax you pay is fair given the goods and services you get from the government? (reverse scored); and (b) Would you prefer to pay less tax even if it means receiving a more restricted range of services? Scores ranged from 1 to 5 with 5 representing a desire to pay less tax and receive fewer services.

Taxpaying as a low priority: Respondents were asked how well the following items described their tax behaviour: (a) I tend to put my income tax return off until the

last minute; (b) Preparing an income tax return is a low priority in my life; (c) Other things always seem to get in the way of doing my tax. Scores were averaged and ranged from 1 to 4, with 4 indicating that the respondent identified with low priority behaviours.

Abolish the tax system: A single question was asked to find out if respondents saw any point in having a tax system. Respondents indicated extent of agreement with the statement, “We should abolish the tax system.” Scores ranged from 1 to 5 with 5 representing agreement with its abolition.

INSERT TABLE 4 ABOUT HERE

Findings: From Table 4, the under-30s were distinctive in being more likely to favour abolishing the tax system. The under-30s also were inclined to favour less tax and fewer benefits, and placed a lower priority on taxation. On these latter two measures, the younger age group did not differ significantly from the 30 to 55s, but both the younger and the middle-aged groups were significantly different from the over-55s.

3.5 Motivational postures: survey questions and findings

The standard measures of the motivational postures of commitment, capitulation, resistance, disengagement and game playing were used (see Appendix). The ratings for the items in each scale were averaged to give a score ranging from 1 to 5; the higher the score, the stronger the posture.

INSERT TABLE 5 ABOUT HERE

Findings: The means on each posture for the under-30s, the 30 to 55s and the over-55s appear in Table 5. The under-30s were less committed and more disengaged than the middle-aged group and the over-55s. On capitulation to the tax authority, the younger group was similar to the middle-aged group. Both were significantly less likely to bend to the wishes of the tax authority than the older group. Game playing was relatively high among the under-30s as it was among the over-55s. Significantly less interest was expressed by the 30 to 55s. The under-30s were not significantly different from either the middle-aged or the over-55s on resistance.

3.6 Summary of findings in Part 1

The under-30s were distinctive in that they were more likely to evade tax, they had a less developed sense of obligation to pay tax, and they were more estranged from the tax system. They were the age group more likely to acknowledge not declaring all their income, working for cash-in-hand, over-claiming deductions, and carrying an outstanding debt with the tax office. The only measure on which they were not the least compliant group was being late in lodging tax returns. Both the middle-aged group and the under-30s performed poorly on this criterion compared with the over-55s.

A gradual drop in moral obligation to pay tax and in fear of being caught and punished was evident from older, to middle-aged, to younger age groups. The younger the group, the weaker was an ethical taxpaying norm, the less interest in having an honest, no-fuss tax advisor, the less remorse, guilt and shame in the event of tax

cheating, the lower estimates of being caught and punished, and the greater perceived injustice of a distributive kind.

Estrangement from the tax system was most marked among the under-30s. They expressed less commitment to taxation as a way of serving the public good, they were most likely to think that the tax system should be abolished, and their higher disengagement scores suggested that younger taxpayers didn't care if they were complying or not. Younger taxpayers were more likely than other age groups to dismiss the tax system as a relic of the past that needs to be wound back.

All of these findings could be interpreted within an "ageing-out" framework. The argument would be that with experience and greater involvement in the community, the under-30s will acquire a more positive attitude to taxation. But this process of socialization depends on learning from those a bit older, and the data presented in Tables 1 to 5 suggest that older generations may not be presenting themselves as the ideal role models for allowing the contagion of socialization to work effectively. The middle aged group were not significantly different from the under-30s in expressing doubts about the benefits of taxation, the fairness of the processes of taxation, the priority assigned to taxation, and to knowing what the tax office expects. The middle aged group and the under-30s were more inclined to capitulate to the system in contrast to the over-55s. The over-55s were the most sympathetic and supportive of the tax system; expressing commitment to its purpose and tolerance for its weaknesses. This suggests that the over-55s may carry the key to leading younger generations toward a pro-tax sensibility; that is, until consideration is given to game playing. Two factors linked the older and younger generations: their sense of personal competence to do their tax return and their interest in game playing with tax law. This

is probably not the kind of cross-generational ‘bonding’ that socialises new generations into tax compliance.

Part 1 has compared the under-30s with older taxpayers on compliance, self-assessed capacity and pro-tax sensibility variables. Hypothesis 1 was confirmed: Younger taxpayers were more likely than the other age groups to be non-compliant on four of the five indicators. Hypothesis 2(a) regarding self-assessed capacity received least support, but the fact that younger taxpayers were not confident of tax office expectations and were least likely to take advice from a tax practitioner warrants further analysis of Hypothesis 2(b) in Part 2. Hypothesis 3(a) concerned with pro-tax sensibility received most support; pro-tax sensibility is a likely contender for explaining lower compliance among the under-30s in Part 2.

4. PART 2: REGRESSION ANALYSES PREDICTING TAX EVASION

The question addressed here is the following: Do differences in pro-tax sensibility and self-defined capacity translate into behavioural differences in tax compliance, thereby explaining the greater involvement of younger taxpayers in tax evasion? Not all the variables investigated in Part 1 were taken forward for analysis in Part 2. The first criterion for taking a measure forward from Part 1 to Part 2 was that at the bi-variate level, the under-30s were different from either one or both of the other age groups. The second criterion was that measures included in Part 2 did not overlap too much with each other.

Of the non-compliance measures on which the under-30s were highest, the most important were not declaring income, working in the cash economy, and over-

claiming deductions.⁶ Regression models were constructed to predict each of these indicators of non-compliance from variables representing age, capacity and pro-tax sensibility.

Three hierarchical regression models were tested, with age group being entered first as a dummy variable (the older group was the omitted category) followed by the capacity variables and the pro-tax sensibility variables. The objective was to understand whether self-perceptions of capacity or pro-tax sensibility accounted for the relationship observed in Part 1 between age and compliance.

The justification for the order of entry of capacity before pro-tax sensibility was methodological. Capacity was the weaker predictor from the bi-variate analyses. Through entering capacity first, this set of variables was given the best possible chance of demonstrating its importance in explaining the age-compliance relationship. Three variables were taken forward for analysis: deficit in knowledge of tax office expectations, support from a tax advisor, and support from family and friends. On the basis of the earlier discussion, it was considered possible that the support of family and friends was counterproductive to lodging an accurate tax return.

The order of entry for the pro-tax sensibility variables was first, motivational postures and second, measures of taxpaying ethics, perceptions of deterrence and justice, and perceived irrelevancy of the tax system. Four of the five postures, commitment, capitulation, disengagement and game playing were taken forward into the Part 2 analyses (resistance was the posture that was not differentiating age groups in Part 1). Taxpaying ethics was represented by adherence to an ethical taxpaying norm, and holding an honest, no fuss tax advisor as the ideal. Perceptions of

⁶ Having an outstanding tax debt had a lower probability of occurrence and therefore, the prediction of this variable was not pursued.

deterrence were measured by the likelihood of being caught and punished for tax evasion. Feeling guilt and shame in the event of being caught for tax evasion was not taken forward because of overlap with other variables. Both justice variables, perceptions of distributive justice and of procedural justice, were carried forward to Part 2. Two of the variables representing the irrelevancy of the tax system, less tax, fewer services and placing a low priority on taxpaying, were included in the Part 2 analyses. Abolishing the tax system was not carried forward because of its relatively high correlations with other predictors.

The justification for entering motivational postures before the other pro-tax sensibility variables was theoretical. Postures reflect shared community discourses about taxation that allow individuals to choose their preferred social distance and therefore control the degree to which the authority can influence them. Individuals with family and friends who locate themselves at a distance from authority may follow their example, irrespective of whether or not they are young or old. If the shortcomings observed in the pro-tax sensibility of the under-30s are tied up with their socially distant posturing, the postures should do most of the work in explaining non-compliance. Should this be the case, the ageing-out argument loses some of its credibility. It's likely that the social distance that accompanies motivational posturing will be maintained.

If, on the other hand, more specific variables associated with a pro-tax sensibility predict non-compliance, after controlling for motivational postures, the ageing out argument gains credibility. The variables that should emerge as significant in the regression models, even though they are entered into the models on the final step, include ethical taxpaying norm, holding an honest, no-fuss tax advisor as the ideal, accepting the likelihood of being caught and punished for evasion, seeing the

system as distributively and procedurally just, wanting less tax, fewer services, and placing a low priority on taxpaying. Responses on all these variables are likely to change as individuals become more involved in their communities through work and family commitments.

4.1 Hierarchical regression analysis predicting undeclared income

The results of the regression analysis predicting undeclared income appear in Table 6. The under-30s were most likely to report not declaring all their income, and this effect remained significant, although the beta coefficients reduced in magnitude from Steps 2 to 4 as other predictors were entered into the equation. Thus, it cannot be claimed that the higher non-compliance of the young on income declaration is wholly attributable to self-perceived deficits in skill or knowledge or an under-developed pro-tax sensibility as hypothesised. Possibly there are structural reasons that are also relevant to understanding why the under-30s evade in this way. For example, they may take on additional untaxed work that they fail to declare because employers have not provided sufficient paperwork and declaring the extra income becomes too troublesome.

INSERT TABLE 6 ABOUT HERE

In spite of being unable to explain the age effect completely, the findings shed light on the relative importance of self-assessed capacity versus pro-tax sensibility in predicting failure to declare income. When the capacity predictors were considered separately from the pro-tax sensibility predictors (Step 2), respondents who relied on

family and friends for help with their tax were more likely not to declare all their income. In other words, evasion was not linked with lack of support as originally thought, but rather with the availability of support from those in one's close and informal network.

When the pro-tax sensibility variables were included (Step 4), the effect of family and friends became insignificant. High scores on the motivational posture of disengagement and low scores on the motivational posture of capitulation were linked with not declaring all income. Those not declaring all their income were open in their expression of tax office defiance. Also associated with not declaring income was a relatively weak ethical taxpaying norm, less interest in an honest, no-fuss tax advisor, and the perception of the tax system as distributively unfair. Surprisingly, those who did not declare income were more likely to rate the procedural fairness offered by the tax authority as relatively high. Procedural fairness, if offered in a ritualistic way, may signal opportunity to defraud an authority rather than encourage a working relationship that involves reciprocated respect and cooperation (Braithwaite, Murphy & Reinhart, 2007).

Overall, pro-tax sensibility dominated perceived capacity and age as factors that might explain failure to declare income. The most important predictors were level of engagement with the system as reflected in the motivational postures, along with the individual's tax ethics and experiences of justice. These findings suggest that non-compliance is a community problem, not a youth problem, and is tied to the social conditions that surround taxation.

4.2 Hierarchical logistic regression analysis predicting cash economy activity

The results of the logistic regression analysis predicting cash economy activity appear in Table 7. The under-30s, and to a limited extent, the middle aged, were most likely to report working for cash-in-hand. Being under 30 years of age remained a significant predictor when all other predictors were entered into the equation, although B coefficients weakened in strength in Steps 2 to 4. As was the case with undeclared income, there remains part of non-compliance in the under-30s that is distinctive, unexplained by feelings of personal incompetence or an anti-tax sensibility.

INSERT TABLE 7 ABOUT HERE

While age was an important predictor in its own right of cash economy activity, most of the variance was explained by support networks and pro-tax sensibility. Relying on friends and family for tax advice was associated with non-compliance, as was a weaker ethical taxpaying norm, and less fear of being caught. Of interest was the finding that those who were working in the cash economy were less likely to argue for less tax and fewer benefits. The most likely explanation for higher than expected satisfaction with the system is their success in free-riding on the taxpaying of others. The motivational posture of disengagement made a fleeting appearance in Step 3, but posturing was far less important than the more specific indicators of the absence of moral obligation. Cash economy activity seems to have its roots in the failure of the tax system to convince participants of the moral underpinnings of its position and to hold participants to account. In other words, cash economy activity has the hallmarks of evasion that is tolerated, either because it doesn't matter or because no-one can do anything about it.

4.3 Hierarchical regression analysis predicting over-claiming deductions

The effect of age on over-claiming deductions was relatively weak. Nevertheless, it was a relationship that was satisfactorily explained by pro-tax sensibility variables. Failing to comply through over-claiming deductions was associated with a weaker ethical taxpaying norm, less interest in an honest, no-fuss advisor, and a tendency to place a low priority on taxpaying. Over-claiming deductions also was related to asking family and friends for advice and adopting a game playing posture in relation to the tax authority. The postures of disengagement (Step 3) and game playing (Steps 3 and 4) are signals that community dismissiveness and disillusionment with taxation may be playing a role in driving non-compliance. But this does not explain the higher non-compliance of young people. The results in Table 8 show that it is not until Step 4, when the more specific moral imperatives and relevancy variables are taken into account, that the significant effects of over-claiming among the under-30s and the middle-aged disappears. Those in the community who lack the internal constraints of feeling a moral obligation to pay tax and who doubt the relevancy and priority of taxpaying are likely to be ready followers of “clever” ways of increasing deductions and lowering a tax liability.

INSERT TABLE 8 ABOUT HERE

5. Discussion

This paper set out to explain why younger taxpayers are less compliant than others. The first hypothesis, that this effect would be evident across different kinds of tax

non-compliance, was supported. The under-30s were the age group most likely to admit that they did not declare all income, that they worked in the cash economy, that they over-claimed deductions, and that they owed the tax office money. They were also more likely to be late in lodging their tax returns, although on this criterion, they were no worse than the middle-aged group.

Having established a pattern of non-compliance among the under-30s, the expectation was that we would be able to identify a core set of variables such as lack of capacity or a poorly developed pro-tax sensibility that would explain the pattern. The results were not so simple, however. Capacity and pro-tax sensibility were related first to age, and second to compliance, but they did not consistently explain why younger taxpayers were less compliant.

Hypotheses 2 through 5 identify the following beliefs and attitudes as distinguishing features of the under-30s: (a) self-perceptions of lower capacity, knowledge and support; and (b) a less well-developed pro-tax sensibility. Pro-tax sensibility was an umbrella concept that covered three sets of measures relating to (i) the moral imperative attached to taxpaying and complying, (ii) the perceived irrelevancy of the tax system, and (iii) motivational posturing that could insulate taxpayers from tax office persuasion and influence. Younger people were expected to be different from middle aged and older people on all these measures – they would feel less capable and competent, they would be less moral about taxpaying, they would see the system as more irrelevant, and they would maintain greater social distance (and insulation) from the system.

Hypothesis 2 on capacity was not supported. The data failed to provide evidence that younger taxpayers perceived themselves as being less competent, less organized, and less supported. They may have been less sure of what the tax office

expected of them, but this could have reflected estrangement from the tax system rather than self-doubt.

Hypotheses 3 to 5 concerning deficits in pro-tax sensibility in younger age groups compared with older age groups were all supported. The under-30s were less moral (less law abiding, less wary of enforcement, less convinced of the justice of the system), they were more likely to question the relevance and usefulness of taxpaying, and they were stronger in maintaining social distance (through motivational postures). Wearing and Headey (1997) concluded that younger age groups were marginalized as taxpayers both in terms of their personal dispositions to paying tax and the networks that were likely to influence them. This paper supports Wearing and Headey's findings.

Hypotheses 2 to 5 all had a part (b). Part (b) postulated that the attitudinal differences that distinguished the under-30s from the middle-aged and older age groups would explain why younger taxpayers were behaviourally less compliant (as demonstrated in Hypothesis 1). Poorly developed tax ethics, insulation from tax authority, informal networks, perceptions of unfairness, and poor enforcement provided at best partial explanation in the case of declaring income and working in the cash economy. There remains ambiguity around the issue of why young people are less compliant on declaring income and cash work.

The relationship between age and claiming deductions, on the other hand, was successfully explained by the inclusion of network and pro-tax sensibility variables in the equation. The factors that were most important in explaining why younger taxpayers over-claimed deductions were less interest in tax ethics and honest advisers, together with placing a low priority on tax issues and game playing with tax law.

While this study proved somewhat disappointing as an exercise in explaining why the under-30s were more likely to evade tax, the results were compelling in demonstrating how age pales into insignificance as a threat to the tax system compared with the erosion of pro-tax sensibility that can extend across age groups. This conclusion supports the claims of Frey and his colleagues (Frey, 1997), pursued most systematically in recent years through a series of empirical studies by Torgler (2003). These Swiss-based researchers have emphasized the importance of governments investing in the building and maintenance of tax morale, if democratic societies are to maintain sustainable, healthy taxpaying systems. At the heart of this mission is the psychological contract (Frey and Feld, 2001): In return for citizens' accepting the obligation to pay taxes, governments show respect for democratic principles, and are responsive to the needs and expectations of citizens. Scholz and Lubell (1993a, 1993b) have a similar understanding of tax compliance with a body of empirical data to support their argument.

The pro-tax sensibility variables that proved to be important and consistent predictors of compliance in their own right, regardless of the measure of compliance used, and regardless of the competing predictors included in the regression model were those concerned with the morality of paying the correct amount of tax. The two main measures were having strong personal tax ethics and a preference for honest tax advice (the latter was significant for over-claimed deductions and undeclared income, but not cash economy activity).

The other significant predictors reinforced this core finding. Evasion was associated not only with not believing in paying tax honestly, but also reliance on family networks, seeing limited value in tax systems, considering the system unfair, and perceiving authorities as not doing the job of enforcement effectively. Thus, we

found that disengagement and perceived unjust tax outcomes heightened evasion on income declaration. Reliance on informal networks and game playing heightened evasion on over-claiming deductions. Cash economy work was more likely in cases where people learnt about taxation from family and friends and where the perceived likelihood of being caught was low. On the whole, pro-tax sensibility works through the moral underpinnings of self-regulation and through buttressing external constraints, such as networks that endorse compliance and enforcement action. On the basis of this research, pro-tax sensibility is a more important focus for intervention by tax authorities worried about the sustainability of their system than is age.

In this particular study, the capacity variables were least impressive in terms of their explanatory power. This is not to say they did not produce some interesting results. In general, young people perceived themselves to be well able to meet their tax commitments and they had support from family and friends. Unexpectedly, the support of family and friends was related to non-compliance. A recent and well-documented finding to emerge in the Australian taxation context is that taxpayers have poor knowledge and understanding of the tax system (McKerchar, 2002; Niemirowski & Wearing, 2006b). Add to this Niemirowski and Wearing's (2006a) finding that younger people perform less well on a tax knowledge task than older people, and the picture emerges of an age cohort which brings together personal confidence, imperfect knowledge, some doubts about what the tax office wants, and reliance on family and friends who also have imperfect knowledge. This may be a lethal combination for tax non-compliance. Further research is needed in which capacity is measured as a performance variable rather than as an attitudinal variable. The work of Wearing and Headey (1997) and Niemirowski and Wearing (2006b)

points to the value of also examining how tax knowledge is derived and shared through work, family and other networks.

6. Conclusion

Taken together, the findings of this study provide some interesting insights into possibilities for the erosion of Australia's self-assessment tax system across time and across generations. There is evidence that older generations are better socialised into taxpaying. Perhaps younger generations will follow in their footsteps, but if this is so, it is of some practical significance to realize that the socialization process promises to be a life long experience for taxpayers: The middle-aged group have more in common with the under-30s than they do the over-55s. The middle-aged group do not show signs of being the ideal role models for moving younger generations quickly into "compliant and cooperative mode."

With this in mind, there are glimpses in the data of cultural movements that present a challenge to a sustainable voluntary taxpaying culture. Game playing among older age groups suggests a pocket of defiance among a group that have been traditional tax system supporters. The role that reliance on friends and family plays in undermining compliance also warrants some consideration, as does the general standard of tax ethics in the community. Loss of tax ethics, disengagement from tax authority, reliance on family and friends, perceived injustice in tax decisions, and low likelihood of being caught for evasion all play a role in weakening the normative fabric of taxpaying culture.

Addressing these considerations in the community at large is as important, if not more important, than addressing youth non-compliance. Policies that rest on the

argument that the non-compliance of youth is a passing fad may have a strong footing, but there is need for policy makers to think more systemically and analyse the assumptions that underlie this position. First and foremost, is the taxpaying culture that younger people pass into actually steeped in a pro-tax sensibility? Any hope of young people becoming good taxpayers through socialization must rely first and foremost on role models; role models who exemplify the high standards of a community that openly promotes taxpayer honesty and commitment to the tax system. In this fundamental way, the sustainability of the tax system rests on the tax morale of the society. Across compliance measures, tax morale outweighs in importance the age of the individual who fails to comply.

APPENDIX A. Motivational Posture Scales

<p>Commitment (alpha reliability coefficient = .82; homogeneity ratio = .43)</p> <p>Paying tax is the right thing to do. Paying tax is a responsibility that should be willingly accepted by all Australians. I feel a moral obligation to pay my tax. Paying my tax ultimately advantages everyone. I think of tax paying as helping the government do worthwhile things. Overall, I pay my tax with good will. I resent paying tax. (reversed) I accept responsibility for paying my fair share of tax.</p>
<p>Capitulation (alpha reliability coefficient = .63; homogeneity ratio = .27)</p> <p>If you cooperate with the Tax Office, they are likely to be cooperative with you. 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. The Tax Office is encouraging to those who have difficulty meeting their obligations through no fault of their own. The tax system may not be perfect, but it works well enough for most of us. No matter how cooperative or uncooperative the Tax Office is, the best policy is to always be cooperative with them.</p>
<p>Resistance (alpha reliability coefficient = .68; homogeneity ratio = .31)</p> <p>As a society, we need more people willing to take a stand against the Tax Office. It's important not to let the Tax Office push you around. The Tax Office is more interested in catching you for doing the wrong thing, than helping you do the right thing. It's impossible to satisfy the Tax Office completely. Once the Tax Office has you branded as a non-compliant taxpayer, they will never change their mind. If you don't cooperate with the Tax Office, they will get tough with you.</p>
<p>Disengagement (alpha reliability coefficient = .64; homogeneity ratio = .27)</p> <p>If I find out that I am not doing what the Tax Office wants, I'm not going to lose any sleep over it. 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. I don't care if I am not doing the right thing by the Tax Office. If the Tax Office gets tough with me, I will become uncooperative with them. I don't really know what the Tax Office expects of me and I'm not about to ask.</p>
<p>Game playing (alpha reliability coefficient = .69; homogeneity ratio = .32)</p> <p>I enjoy talking to friends about loopholes in the tax system. I like the game of finding the grey area of tax law. I enjoy the challenge of minimizing the tax I have to pay. I enjoy spending time working out how changes in the tax system will affect me. The Tax Office respects taxpayers who can give them a run for their money.</p>

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Table 1

A comparison of the under-30s, the middle aged, and the over 55s on indices of tax evasion: means, standard deviations and *F*-statistics, % evading and *Chi-square* statistics

Tax evasion	Under-30s (n=239)	Middle-aged (‘M’) (n=1120)	Over-55s (‘O’) (n=648)	<i>F</i> - value
undeclared income	.08 M,O (.18)	.02 (.09)	.03 (.10)	21.22***
over-claiming deductions	.16 M,O (1.04)	.01 O (.82)	-.11 (.61)	8.37***
outstanding lodgement	.12 O (.39)	.09 O (.35)	.05 (.25)	4.32*
				<i>Chi-square</i>
income from cash economy	16%	6%	2%	57.37***
having an outstanding tax debt	6%	4%	1%	15.16***

* $p < .05$; ** $p < .01$; *** $p < .001$

Note: ‘M’ signifies that the under-30s are significantly different ($p < .05$) from the middle-aged, ‘O’ that they are significantly different ($p < .05$) from the over-55s.

Table 2

A comparison of the under-30s, the middle aged, and the over 55s on the capacity variables: means, standard deviations and *F*-statistics, % evading and *Chi-square* statistics

Capacity	Under-30s (n=239)	Middle-aged (‘M’) (n=1120)	Over-55s (‘O’) (n=648)	<i>F</i> - value
self-perception of competence	2.28 (1.06)	2.13 (1.04)	2.09 (1.04)	2.96 NS
poor record-keeping skills	1.97 O (.96)	2.00 O (1.05)	2.22 (1.18)	8.95***
deficit in knowledge	2.89 O (1.09)	2.74 O (1.01)	2.56 (1.07)	7.80***
				<i>Chi-square</i>
support network: family	40%	19%	15%	49.13***
support network: tax advisor	59%	80%	80%	41.82***
usually receives tax refund	79%	69%	45%	120.14***

* $p < .05$; ** $p < .01$; *** $p < .001$

Note: ‘M’ signifies that the under-30s are significantly different ($p < .05$) from the middle-aged, ‘O’ that they are significantly different ($p < .05$) from the over-55s.

Table 3

A comparison of the under-30s, the middle aged, and the over 55s on the pro-tax sensibility variables of ethics, deterrence and justice: means, standard deviations and *F*-statistics

Ethics, deterrence and justice	Under-30s (n=239)	Middle-aged (‘M’) (n=1120)	Over-55s (‘O’) (n=648)	<i>F</i> - value
ethical taxpaying norm	3.28 M,O (.64)	3.52 O (.71)	3.74 (.63)	45.93***
ideal is an honest, no fuss advisor	3.08 M,O (.71)	3.27 O (.62)	3.35 (.58)	15.82***
guilt and shame	2.82 M,O (.76)	3.03 O (.84)	3.23 (.75)	23.36***
likelihood of being caught	3.04 M,O (1.03)	3.35 O (1.05)	3.69 (.98)	38.38***
likelihood of being fined	3.67 M,O (1.03)	3.94 O (.97)	4.13 (.96)	18.26***
distributive justice	3.47 M,O (1.06)	3.64 O (1.03)	3.83 (.97)	11.68***
procedural justice	3.17 O (.57)	3.12 O (.69)	3.34 (.66)	21.68***

* $p < .05$; ** $p < .01$; *** $p < .001$

Note: ‘M’ signifies that the under-30s are significantly different ($p < .05$) from the middle-aged, ‘O’ that they are significantly different ($p < .05$) from the over-55s.

Table 4

A comparison of the under-30s, the middle aged, and the over-55s on the tax irrelevancy variables: means, standard deviations and *F*-statistics

Tax irrelevancy	Under-30s (n=239)	Middle-aged (‘M’) (n=1120)	Over-55s (‘O’) (n=648)	<i>F</i> - value
prefer low tax, fewer benefits	3.10 O (.86)	3.09 O (.85)	2.77 (.83)	29.47***
place a low priority on taxpaying	2.01 O (.89)	1.93 O (.88)	1.79 (.81)	7.05**
abolish the tax system	2.42 M,O (1.04)	2.26 O (.99)	2.15 (.98)	6.57**

* $p < .05$; ** $p < .01$; *** $p < .001$

Note: ‘M’ signifies that the under-30s are significantly different ($p < .05$) from the middle-aged, ‘O’ that they are significantly different ($p < .05$) from the over-55s.

Table 5

A comparison of the under-30s, the middle aged, and the over 55s on the motivational postures: means, standard deviations and *F*-statistics

Motivational postures	Under-30s (n=239)	Middle-aged (‘M’) (n=1120)	Over-55s (‘O’) (n=648)	<i>F</i> - value
Commitment	3.65 M,O (.56)	3.83 O (.56)	3.98 (.46)	36.31***
Capitulation	3.27 O (.49)	3.34 O (.54)	3.55 (.53)	37.07***
Resistance	3.19 (.51)	3.20 O (.55)	3.12 (.54)	4.56*
Game-playing	2.48 M (.58)	2.37 O (.63)	2.48 (.62)	8.11***
Disengagement	2.49 M,O (.56)	2.32 (.54)	2.29 (.52)	12.77***

* $p < .05$; ** $p < .01$; *** $p < .001$

Note: ‘M’ signifies that the under-30s are significantly different ($p < .05$) from the middle-aged, ‘O’ that they are significantly different ($p < .05$) from the over-55s.

Table 6
Beta coefficients, R^2 , and significant tests in an hierarchical regression analysis predicting failure to declare income from age, capacity and pro-tax sensibility (motivational postures and other pro-tax variables)

Predictor variables	Beta coefficients			
	Step 1	Step 2	Step 3	Step 4
<i>Age</i>				
under-30s (18-29)	.16***	.14***	.12***	.09**
middle aged (30-55)	-.02	-.02	-.02	-.04
<i>Capacity</i>				
deficit in knowledge		.08	.06*	.05
network support - family, friends		.06*	.07*	.05
network support - tax advisor		-.01	-.01	-.01
<i>Motivational postures</i>				
commitment			.01	.02
capitulation			-.01	-.08*
game playing			.08	.06
disengagement			.13***	.10**
<i>Other pro-tax sensibility variables</i>				
ethical taxpaying norm				-.09**
ideal is an honest, no-fuss advisor				-.07*
likelihood of being caught				-.01
likelihood of being punished				-.05
distributive justice				-.08*
procedural justice				.16***
lower taxes, fewer benefits				-.02
place a low priority on taxpaying				.06
R^2	2%	3%	6%	9%
<i>F values</i>	17.60***	9.86***	10.12***	8.18***

* $p < .05$; ** $p < .01$; *** $p < .001$

Note: The overall F statistic to test for the significance of age was significant on steps 1, 2, 3 and 4.

Table 7
 B coefficients, R^2 , and significant tests in an hierarchical logistic regression analysis predicting cash-in-hand income from age, capacity and pro-tax sensibility (motivational postures and other pro-tax variables)

Predictor variables	B coefficients			
	Step 1	Step 2	Step 3	Step 4
<i>Age</i>				
under-30s (18-29)	2.13***	1.95***	1.90***	1.52**
middle aged (30-55)	.97*	.90*	.89*	.66
<i>Capacity</i>				
deficit in knowledge		-.01	-.02	-.07
network support - family, friends		.68**	.74**	.73**
network support - tax advisor		.21	.23	.18
<i>Motivational postures</i>				
commitment			.33	.37
capitulation			-.29	-.23
game playing			.11	.07
disengagement			.50*	.32
<i>Other pro-tax sensibility variables</i>				
ethical taxpaying norm				-.83***
ideal is an honest, no-fuss advisor				-.08
likelihood of being caught				-.35**
likelihood of being punished				-.09
distributive justice				-.14
procedural justice				-.05
lower taxes, fewer benefits				-.56**
place a low priority on taxpaying				-.07
<i>Nagelkerke R2</i>	7%	8%	10%	19%
<i>Chi-square</i>	33.04***	39.57***	46.40***	89.80***

* $p < .05$; ** $p < .01$; *** $p < .001$

Note: The overall F statistic to test for the significance of age was significant on steps 1, 2, 3 and 4.

Table 8
Beta coefficients, R^2 , and significant tests in an hierarchical regression analysis predicting over-claiming deductions from age, capacity and pro-tax sensibility (motivational postures and other pro-tax variables)

Predictor variables	Beta coefficients			
	Step 1	Step 2	Step 3	Step 4
<i>Age</i>				
under-30s (18-29)	.11**	.09**	.07*	.03
middle aged (30-55)	.06*	.06	.06*	.03
<i>Capacity</i>				
deficit in knowledge		.09**	.07*	.04
network support - family, friends		.08**	.09**	.07*
network support - tax advisor		.03	.03	.04
<i>Motivational postures</i>				
commitment			-.01	.02
capitulation			.01	-.01
game playing			.11***	.10**
disengagement			.12***	.06
<i>Other pro-tax sensibility variables</i>				
ethical taxpaying norm				-.15***
ideal is an honest, no-fuss advisor				-.10***
likelihood of being caught				-.03
likelihood of being punished				-.05
distributive justice				-.05
procedural justice				.04
lower taxes, fewer benefits				-.06
place a low priority on taxpaying				.12***
R^2	1%	2%	5%	11%
<i>F values</i>	6.23***	6.29***	9.02***	10.24***

* $p < .05$; ** $p < .01$; *** $p < .001$

Note: The overall F statistic to test for the significance of age was significant on steps 1, 2 and 3, but not on 4.