

A will and a way:  
An analysis of tax practitioner  
preparation compliance

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**Regulatory Institutions Network**

A thesis submitted for the degree of

Doctor of Philosophy of

the Australian National University

February 2012



I declare that this thesis is my own original work

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## Acknowledgments

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“Once started, Mr Hawke was driven to go on, expounding the Arcana, and the Principia, the Clavis Hieroglyphica Arcanorum Naturalium et Spiritualium, the mysteries of Influx and Vastation, Conjugal Love and Life After Death, for it was only in the act of exposition that Mr Hawke could hold all the balls of his system, so to speak, up in the air at once, an arc of theological tumbling and juggling...” (Byatt, 1992, p. 181)

I have the following people to thank for teaching me the art of theoretical tumbling and juggling and helping me keep all the balls of my system up in the air – Valerie and John Braithwaite, for lending their vast experience and expertise to this project; Nathan Harris, for pointing out that my original plan was perhaps a little over ambitious (“Why are you doing two theses?”); Monika Reinhart and Brian Harrold, for their theoretical and practical support with SPSS; and Jason Connor, with whom the base was built.

Crucial to the completion of this project was the support of the Australian Tax Office. Thank you to Commissioner Michael D’Ascenzo for providing the Commissioner’s postgraduate scholarship. To Deputy Commissioners James O’Halloran and Erin Holland who gave their sponsorship to this project. To Warwick Graco and Graham Williams who encouraged and gave key feedback during the process and Rohan Baxter who inspired the idea of the propensity and opportunity approach taken in this thesis. And most importantly of all, to Chris Mobbs without whom this project would never have got off the ground (or back into it).

This thesis could never have been completed without the support (sufferance) of my family. Specifically, I thank my husband who, despite comparing marriage to a PhD student as living with someone with bipolar disorder, supported and encouraged me all the way. My sister, who re-entered my entire EndNote library after a computer (and ensuing mental) collapse. My mother, who called me at 5.30 every morning to ensure I was actually up and out of bed. And my father who, due to his ongoing support, I will one day forgive for asking, “Why don’t you just finish it?”

Finally, and most crucially, I am indebted to the tax practitioners who took time out of their busy schedules to respond to my questionnaire. Your time and, more importantly, your frank and fearless contributions are appreciated.

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## Abstract

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This thesis proposes a propensity and opportunity model for tax practitioner preparation compliance. The model integrates the existing empirical tax practitioner compliance knowledge into a theoretical framework through an adaptation of Nagin and Paternoster's (1993) individual differences and rational choice framework. The premise of this thesis is that preparation non-compliance occurs when there is both a will (propensity) and a way (opportunity).

One of the most compelling findings was discovered through the development of the preparation compliance variable. Rather than a unitary construct with simple linear relationships with other variables, it was found that practitioners form distinct and very different clusters of preparation compliance. Four practitioner clusters were revealed. The Duteous cluster of practitioners exhibited the most virtuous approach to preparation practice and had the highest level of compliance within their clients' tax returns. The Contingent cluster reported an intermediate commitment to compliant practice and client return compliance that was contingent on transaction visibility. The Aggressive cluster held the least compliant approach to preparation practice and reported the highest level of non-compliance within their clients' returns. The Outlier cluster was an extreme version of the Aggressive pattern of results. While these groups clearly represent different levels of compliance (depicted in this thesis as the teardrop of practitioner compliance with a compliant base (Duteous) and non-compliant tip (Outliers)), gone was the assumption of compliance linearity. In its place was the

knowledge that the practitioner population is not homogeneous, but instead comprises distinct practitioner types.

Support was found for the propensity and opportunity model in the prediction of practitioner teardrop cluster membership. Both the higher-order constructs of propensity and opportunity were significant in the prediction of cluster membership at each ascending level of the teardrop. However, the features of propensity and opportunity that differentiated the lower teardrop practitioners were different to those that differentiated the upper teardrop practitioners. In differentiating between the Duteous and Contingent clusters, the propensity construct was characterised by an appetite for risk and power (lower for the Duteous), coupled with stronger commitment to business best practice and to the identity of being a competent practitioner among the Duteous. Opportunity was characterised by a perceived likelihood of success in preparing non-compliant returns and higher ambiguity of clients' tax affairs, coupled with the perception of lower likelihood of detection for non-compliance. Different aspects of propensity and opportunity assumed importance in differentiating between the Contingent and Aggressive clusters. Propensity was characterised by a lack of preparation ethics and opportunity by ambiguity of clients' tax affairs.

These results have important implications for the regulation of tax practice. Tax authorities must recognise that there are multiple distinct groups of practitioners who hold different propensities and perceive different opportunities for non-compliance. Thus, the drivers and obstacles found for the population as a whole will not uniformly apply to sub-groups within that population. As such, the teardrop clusters require tailored regulatory strategy for optimal preparation compliance.