

TAXPAYERS WHO COMPLAIN ABOUT  
PAYING TAX: WHAT DIFFERENTIATES  
THOSE WHO COMPLAIN FROM THOSE  
WHO DON'T?

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The Australian National University  
Australian Taxation Office

Centre for Tax System Integrity



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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*

## **Abstract**

This paper argues that taxpayers who complain about paying tax can be differentiated from those taxpayers who do not complain in terms of attitudes on various tax-related dimensions. Data from the *Community Hopes, Fears and Actions Survey* is presented, which shows that taxpayers who express complaints about tax perceive greater injustice, feel less pride in being an honest taxpayer and see the government and the Tax Office as less representative of them than those taxpayers who do not complain about tax. It is concluded that complaints about tax are not arbitrary but reflect a meaningful analysis of the tax system as it affects the taxpayer, leading to negative attitudes and resentment. It is proposed that while such perceptions are subjective, they are nonetheless rational, and provide the Tax Office with avenues to pursue in order to change such perceptions.

## **Taxpayers who complain about paying tax: What differentiates those who complain from those who don't?**

*Natalie Taylor*

In Australia, as in many other countries around the world, paying tax is part of life. This of course does not mean that everyone likes it, but one of the underlying assumptions concerning taxation is that tax revenue ensures that essential services such as education, health, public transport, roads and community services can be provided which then benefit all Australians. Further, it is also expected that the burden of tax is shared by all taxpayers. To the degree that these assumptions are met, tax is a necessary but understandable and largely acceptable means of achieving these goals and taxpayers will largely resign themselves to this fact. However, if these assumptions are not met and (a) tax revenue is perceived as being used inappropriately while fundamental community services are being underfunded, or (b) if the burden of tax is not being shared equally, then the likelihood of taxpayers willingly paying their tax is greatly lessened and the probability of complaint becomes stronger.

It is proposed in this paper that taxpayers who complain about the tax system feel more aggrieved and perceive greater injustice in the system than those who don't, and hence are more motivated to express those sentiments (cf. Walker & Mann, 1987). It is proposed that they can be differentiated from those taxpayers who do not complain on many dimensions associated with their stronger sense of injustice. It is argued that these differences have important implications for attitudes toward paying tax, which in turn may have negative implications for tax paying behaviour.

This paper uses data from the *Community Hopes, Fears and Actions Survey* (Braithwaite, 2000) to examine some of the factors which differentiate taxpayers who complain about the tax system from those who do not. Given that complaints are more easily expressed and understood when people are able to express them unhindered, in complete sentences, taxpayer complaints were investigated by looking at what they spontaneously wrote at the end of the survey. Under the heading "if you have any comments which you would like

to add, please write them below”, taxpayers who completed the survey were able to write up to two pages of unsolicited and spontaneous comments. Those who wrote comments relating to tax were classified separately from those who did not for purposes of analysis.

Specifically, it was predicted that

1. All written comments relating to tax would be in the form of complaints and negative;
2. Those who wrote comments would perceive the taxes which they pay to be more unfair than those who did not complain;
3. Those who wrote comments would perceive the Tax Office to be both distributively and procedurally more unfair than those who did not complain;
4. Those who wrote comments would feel less pride in being a member of the Australian community and less pride in being an honest taxpayer than those who did not write comments;
5. Both the government and the Tax Office would be perceived as less representative of those taxpayers who wrote comments, than those who did not.

The total sample under consideration was based on the responses of 1044 surveys, received before the introduction of the GST. These surveys were distributed to randomly selected adults from across Australia. Of the 1044 surveys returned prior to the introduction of the GST, 155 (15%) wrote comments relating to tax at the end of the survey. This group of 155 will be referred to as the “subsample”, while the remainder of those 1044 who did not write comments about tax will be referred to as the main sample. The length of the comments written varied from a couple of sentences up to 2 pages. 37% wrote half a page, 21% wrote a whole page while 8% wrote 2 pages.

### **What did taxpayers write about?**

The issues which were raised in the comments are listed in Table 1. These issues were coded independently by two raters. It can be seen that the comments most frequently referred to concerned perceptions of unfairness and waste in relation to taxes. Further,

the comments were clearly negative and can be seen to form complaints about the tax system.

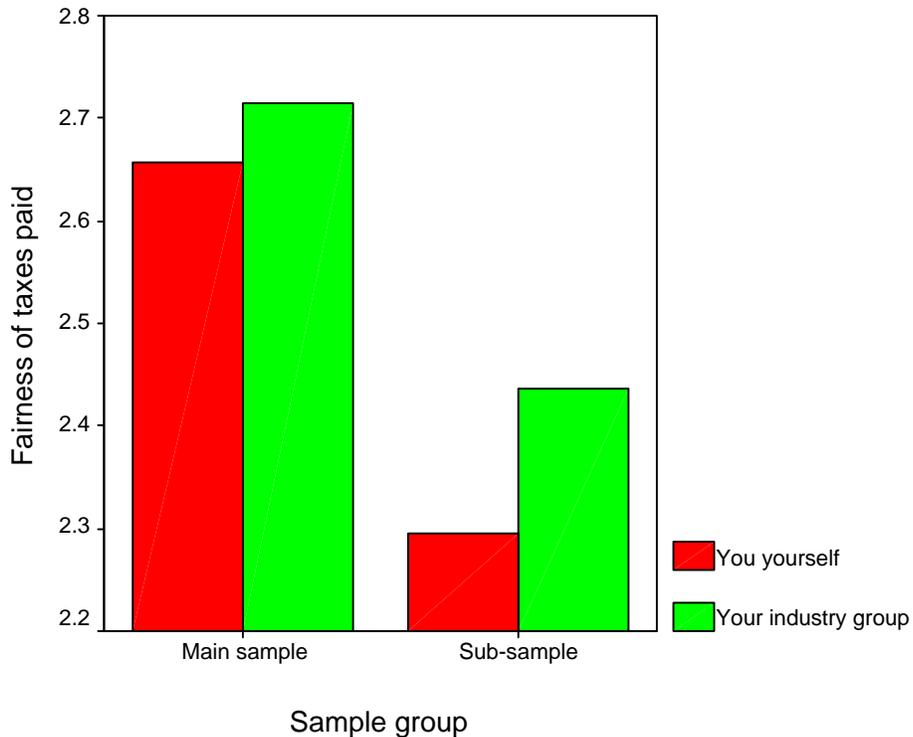
**Did the subsample of taxpayers perceive their tax burden to be more unfair than those in the main sample?**

This question was answered by looking at responses given to two questions in the survey. Taxpayers were asked to indicate the degree to which, in their opinion, they themselves paid their fair share of tax, and the degree to which their industry/occupation group paid their fair share of tax. Responses were given on a 1 (pay much more than fair share) to 5 (pay much less than fair share) scale. While responses in both the main sample and subsample reflected perceived unfairness, those taxpayers in the subsample perceived that the taxes which both they ( $M = 2.30$ ,  $SD = .88$ ) and their industry/occupation group ( $M = 2.45$ ,  $SD = .95$ ) paid were significantly higher and more unfair than did those in the main sample ( $M_s = 2.66$  and  $2.71$  respectively,  $p < .001$ ). These means are shown in Figure 1.

**Table 1: Percentages of respondents in subsample (N = 155) who referred to each issue in their comments.**

<b>Issue referred to</b>	<b>Percentage of subsample</b>
Tax system is inequitable	51.0
Introduction of GST is unfair	23.9
System benefits wealthy	22.6
Taxes generally wasted	18.1
System does not consider need	14.8
Politicians waste money	14.2
Tax system is wrong	14.2
Too many loopholes in the system	11.6
Little people pay while rich don't	11.0
Rules applied inconsistently	9.0

Government is untrustworthy	8.4
System benefits welfare recipients	7.7
Problems with health insurance	7.7
Explicit promises and agreements broken	7.1
Tax system removes incentive to work	7.1
Taxes are unequal	5.8
Taxes are too high	5.8
Tax is unfair because not everyone pays	5.8
Reference to Kerry Packer	5.8
Government, not Tax Office, responsible	5.8
Problems with superannuation	5.2
Tax forms difficult/costly to complete	5.2
No confidence in system	5.2
System benefits big business	3.9
Problems with education	3.9
Tax Office is incompetent	3.9
Government is incompetent	3.9



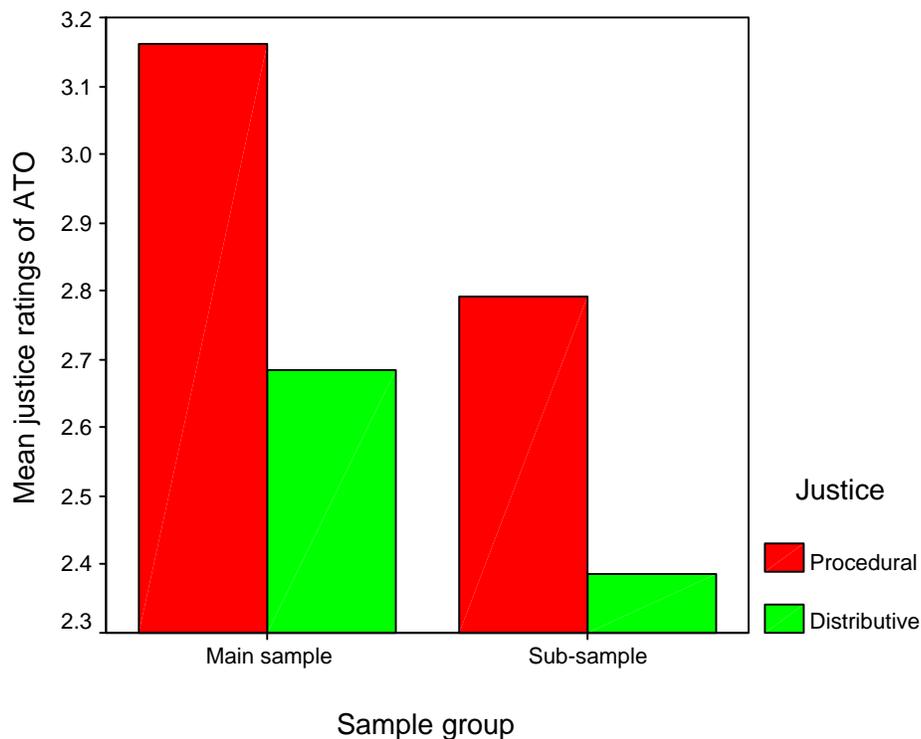
**Figure 1. Perceived fairness of taxes paid for self and industry/occupation group as a function of sample group.**

Note: Lower numbers reflect greater perceived unfairness.

**Did the subsample of taxpayers perceive the ATO to be less procedurally and distributively fair than the main sample of taxpayers?**

To investigate this question, ten items from the questionnaire were combined ( $\alpha = .89$ ) and averaged to create a single measure for procedural justice, and three items were combined ( $\alpha = .74$ ) and averaged to create a single measure for distributive justice (see Wenzel, 2001). The procedural justice scale reflected theorizing by Tyler (1997) and included components reflecting perceptions of respect, trustworthiness and neutrality of the Tax Office. Each of these items was responded to on a scale from 1 (strongly disagree) to 5 (strongly agree). The distributive justice scale comprised perceived fairness of outcomes (one's own tax burden, tax burden of one's industry group and the tax burden of people in "a similar boat" to self). Each of these items was responded to on

a scale from 1 (pay much more than fair share of tax) to 5 (pay much less than fair share of tax). The specific items for each of the distributive and procedural justice scales are given in Appendix 1. As can be seen from Figure 2, those in the subsample ( $\underline{M} = 2.81$ ,  $\underline{SD} = 0.74$ ) perceived the Tax Office to be significantly less procedurally fair than those in the main sample ( $\underline{M} = 3.16$ ,  $\underline{SD} = 0.62$ ),  $p < .001$ . Similarly, those in the subsample ( $\underline{M} = 2.38$ ,  $\underline{SD} = 0.83$ ) also perceived the Tax Office to be significantly less distributively fair than those in the main sample ( $\underline{M} = 2.69$ ,  $\underline{SD} = 0.60$ ),  $p < .001$ .



**Figure 2. Ratings of the degree to which the ATO is perceived as procedurally and distributively fair, as a function of sample group.**

Note: Lower numbers reflect greater perceived unfairness.

**How much pride did taxpayers feel in being a member of the Australian community, and in being an honest taxpayer?**

If taxpayers feel aggrieved and resentful about taxes being wasted, perceive that they pay a substantially higher level of tax than is fair, and see the Tax Office as being procedurally and distributively unfair, then this resentment could result in less pride about being a good taxpaying citizen. After all, if the system is believed to be in some way wrong or unfair, then there is presumably little to be proud of. Further, if it is believed that the tax burden is not being shared equally amongst all taxpayers but is being borne by only a few, then paying tax could be seen to be “a mug’s game”. In the survey, taxpayers were asked to indicate on a 1 (do not agree at all) to 7 (agree completely) scale their level of agreement with the following statements: “Being a member of the Australian community is important to me”, “I feel a sense of pride in being a member of the Australian community”, “Being an honest taxpayer is important to me” and “I feel a sense of pride in being an honest taxpayer”.

While being a member of the Australian community was equally important to both those in the subsample ( $\underline{M} = 5.77$ ,  $\underline{SD} = 1.29$ ) and those in the main sample ( $\underline{M} = 5.89$ ,  $\underline{SD} = 1.19$ ),  $p > .10$ , those in the subsample ( $\underline{M} = 5.67$ ,  $\underline{SD} = 1.39$ ) felt significantly less pride in being a member of the Australian community than those in the main sample ( $\underline{M} = 5.90$ ,  $\underline{SD} = 1.25$ ),  $t(1008) = 2.08$ ,  $p < .04$ . Similarly, while being an honest taxpayer was equally important to both those in the subsample ( $\underline{M} = 5.93$ ,  $\underline{SD} = 1.21$ ) and the main sample ( $\underline{M} = 6.03$ ,  $\underline{SD} = 1.12$ ),  $p > .30$ , those in the subsample felt significantly less pride in being an honest taxpayer ( $\underline{M} = 5.52$ ,  $\underline{SD} = 1.62$ ) than those in the main sample ( $\underline{M} = 5.80$ ,  $\underline{SD} = 1.32$ ),  $t(1006) = 2.29$ ,  $p < .03$ .

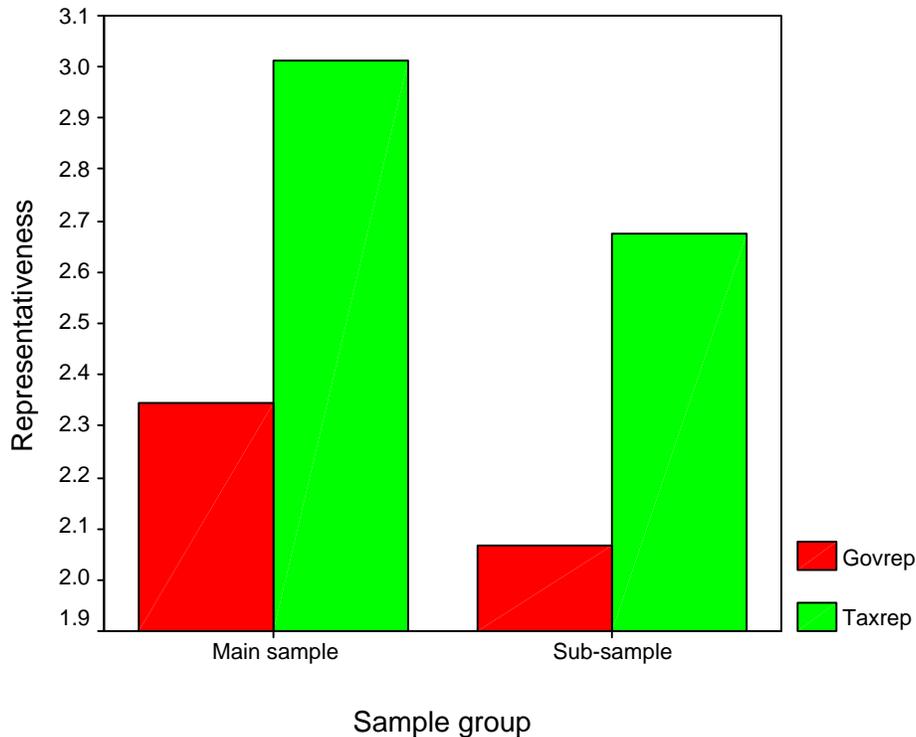
As expected then, those who were resentful and felt aggrieved about tax felt less pride about being a good and honest citizen although being a good and honest citizen was important to them. This implies that the tax system and a sense of duty is important to taxpayers. Those, however, who perceive injustice and an imperfect system feel less proud about being a part of it. This is problematic because it is feelings of pride and

respect in belonging to particular groups which, according to Tyler and DeGoey (1996), lead to increased voluntary compliance.

**How representative were government and the Tax Office perceived to be of taxpayers?**

If taxpayers feel resentful about paying tax, perceive the system to be unfair and do not feel proud about being a part of it, then presumably the authorities which devise and implement the system will be perceived more negatively than for those taxpayers who do not perceive unfairness. That is, in a democratic society in which governments are elected to be representative of the people, there is an expectation that the decisions which governments make and the systems which they implement should be decisions which are in the interests of those they represent. Hence, decisions and a system which are not judged to be in the interests of taxpayers and which lead to resentment should also lead to authorities being perceived as unrepresentative of self and other taxpayers.

To investigate how representative government and the Tax Office were perceived to be, two scales were devised from items in the survey. These scales, the items comprising them, and their reliability coefficients, can be found in Appendix 2. The first scale is referred to as “Govrep” and the second scale is referred to as “Taxrep”. As can be seen from Figure 3, both the government and the Tax Office were perceived as significantly less representative of those taxpayers in the subsample than of those in the main sample,  $p < .001$ .



**Figure 3. Perceived representativeness of government and Tax Office as a function of sample group.**

Note: Lower numbers reflect greater unrepresentativeness.

### **Conclusion**

Clearly, taxpayers who complain about tax can be differentiated from those who do not on several dimensions. They perceive greater unfairness (both distributive and procedural) in the system for both themselves and similar other taxpayers, they feel less pride in being a good Australian citizen and an honest taxpayer (although being a good and honest citizen is important to them), and they perceive that the government and the Tax Office are less representative of them than those who do not complain. It is important to note here that those taxpayers who were motivated to write down their complaints were not simply complaining or whinging about paying tax per se. Rather, they had specific grievances that they wished to express and these were based on their understanding of what an appropriate tax system should be like. That is, it was the

violation of their expectations about a fair tax system that provoked their perceptions of unfairness (e.g., the burden of tax not being shared equally, taxes being wasted, community services being underfunded).

The importance of contributing to the tax system was recognized – these taxpayers believed in the role which tax revenue plays in society – but took little pride in being a part of it because they saw it as flawed and unfair. Further, they saw the authorities who devise and implement the system (government and the Tax Office) as not representing their interests. As Smith and Tyler (1996) noted, authorities must be perceived as representing the interests of those they serve in order to effect greater voluntary compliance. When authorities are not seen as representative, they cease to carry any value, they lose respect and legitimacy, which leads to greater resistance on the part of taxpayers.

The results outlined in this paper emphasize the subjective but rational nature of taxpayer perceptions concerning the tax system and their place within it. These findings also reveal the logical flow of attitudes (and potentially behaviour) that result from the perception that the system is flawed. If tax revenue is perceived to be used inappropriately, if the burden of tax is not perceived as being shared equally, and if authorities are not seen as representing the interests of the taxpayer, then resentment, complaint and a desire to restore the injustice becomes stronger. Such feelings are not likely to enhance compliance, but to lead to greater resistance on the part of the taxpayer, making the task of the Tax Office more difficult. It is clearly in the interests of the Tax Office, then, to identify those areas which might affect taxpayer perceptions, to focus on the ones over which it has some control (e.g., being seen to act in the interests of the average taxpayer and not in the interests of the rich or powerful), and do what it can to redress them. Acknowledging the existence of negative perceptions is a first step. Such acknowledgement, however, provides the Tax Office with an avenue to pursue for changing those perceptions.

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## **Appendix 1: Descriptions of the distributive and procedural justice scales**

### **Distributive justice scale**

Respondents answered the following questions (1-3) on a scale where 1 = pay much more than their fair share, 2 = pay a bit more than their fair share, 3 = pay about their fair share, 4 = pay a bit less than their fair share, and 5 = pay much less than their fair share.

1. In your opinion, do you, yourself, pay your fair share of tax?
2. In your opinion, does your industry/occupation group pay its fair share of tax?
3. Think about people who are in the same boat as you when it comes to paying tax. In your opinion, do they pay their fair share of tax?

The scale was constructed by adding responses to each item and dividing by the number of items in the scale. These 3 items correlated moderately well with each other (Alpha reliability coefficient = .74 across the entire sample, and .82 for the subsample).

### **Procedural justice scale**

Respondents answered the following questions (1-10) on a scale where 1 = strongly disagree, 2 = disagree, 3 = neither disagree nor agree, 4 = agree and 5 = strongly agree.

1. The Tax Office respects the individual's rights as a citizen.
2. The Tax Office is concerned about protecting the average citizen's rights.
3. The Tax Office considers the concerns of average citizens when making decisions.
4. The Tax Office cares about the position of taxpayers.
5. The Tax Office tries to be fair when making their decisions.
6. The Tax Office gives equal consideration to the views of all Australians.
7. The Tax Office gets the kind of information it needs to make informed decisions.

8. The Tax Office is generally honest in the way it deals with people.
9. The Tax Office consults widely about how they might change things to make it easier for taxpayers to meet their obligations.
10. The Tax Office goes to great lengths to consult with the community over changes to their system.

The scale was constructed by adding responses to each item and dividing by the number of items in the scale. These 10 items correlated strongly with each other (Alpha reliability coefficient = .89 across the entire sample, and .91 for the subsample).

## **Appendix 2: Descriptions of the Govrep and Taxrep scales**

### **Govrep scale**

Respondents answered the following questions (1-5) on a scale where 1 = strongly disagree, 2 = disagree, 3 = neither, 4 = agree, and 5 = strongly agree. Question 6 was answered on a scale where 1 = dissatisfied and 5 = satisfied.

1. Our government is attempting to mould our society to the needs of a profit-oriented market.
2. There's a dollar democracy that runs through our supposed democracy.
3. I don't think we have enough input into legislation and the decisions that are important.
4. I'm always cynical about government processes.
5. All political parties seem to be appalling.
6. Overall, how dissatisfied or satisfied are you with the way the government spends taxpayers' money?

The scale was constructed by reverse scoring questions 1, 2, 3, 4 and 5, then adding responses to each item and dividing by the number of items in the scale. These 6 items correlated well with each other (Alpha reliability coefficient = .74 across the entire sample, and .77 for the subsample).

### **Taxrep scale**

Respondents answered the following questions (1-5) on a scale where 1 = strongly disagree, 2 = disagree, 3 = neither, 4 = agree, and 5 = strongly agree.

1. The Tax Office listens to powerful interest groups, not to ordinary Australians
2. The Tax Office can be trusted to administer the tax system so that it is right for the country as a whole
3. The Tax Office's decisions are too influenced by political pressures

4. The Tax Office has acted in the interests of all Australians
5. The Tax Office has turned its back on its responsibility to Australians
6. The Tax Office has caved in to pressure from special interest groups
7. The Tax Office is trusted by you to administer the tax system fairly
8. The Tax Office takes advantage of people who are vulnerable

The scale was constructed by reverse scoring questions 1, 3, 5, 6 and 8, then adding responses to each item and dividing by the number of items in the scale. These 8 items correlated strongly with each other (Alpha reliability coefficient = .84 across the entire sample, and .84 for the subsample).

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