

CENTRE FOR TAX SYSTEM INTEGRITY



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'protectors' of public interest?
Australia's experience

Valerie Braithwaite



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THE CENTRE FOR TAX SYSTEM INTEGRITY WORKING PAPERS

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

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

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

Abstract

This paper uses Australian data from two national random surveys to show that citizens' ratings of their tax authority's performance on adhering to the principles of a *Taxpayers' Charter* provide useful information for assessing the level of resistance-cooperation that the Tax Office is generating in the community through its administration of the tax system. As predicted, the ratings that people gave were affected by factors outside the narrow understanding of service delivery. This paper argues that the breadth of influence on *Charter* ratings strengthens rather than limits their usefulness because to understand a decline in ratings, tax authorities must engage in a degree of introspection that takes account of the overall integrity of the tax system. The central hypothesis that was confirmed in this study was that while *Charter* performance plays a role in eliciting cooperation and containing resistance once a partnership between a tax authority and taxpayer has been established, it does little to improve relationships when taxpayers have moved beyond the psychological or legal reach of the authority.

Are taxpayers' charters 'seducers' or 'protectors' of public interest? Australia's experience

Valerie Braithwaite

This paper explores empirically the significance of a taxpayers' charter to citizens. Because taxation is an institution that involves the collection of revenue and redistribution of resources, charters for taxpayers have been viewed with some scepticism as performance indicators for the delivery of services (Milakovich, 2003). The question asked has been how reasonable is it to assess performance in terms of citizen satisfaction with a branch of government that relates to the public primarily in terms of 'taking' rather than 'giving'? Taxpayers' charters thus have come to occupy contested ground. They have attracted both a 'rights' interpretation with a view to the protection of taxpayers (Bentley, 1998a; 1998b, 1998c; Coppinger, 1989; Goldstein, 1989), along with a 'service' interpretation with a view to socially responsive performance (Bentley, 1998a, 1998b, 1998c; Conference Board of Canada, 1998; Lamb, Tuck & Hoskin, 2003).

As policy scholars debate the relative merits of charters as 'seducers' or 'protectors' of public interest, the question arises of the subjective meaning of a taxpayers' charter to taxpayers. Do taxpayers reciprocate cooperation when they see a tax authority abiding by its charter? Or are tax authorities simply giving their adversaries a weapon for challenge or retaliation against past injustice? These are the questions addressed in this paper.

The rise in popularity of taxpayers' charters

Increasingly for many people, taxpaying belongs to the category of a *voluntary* contribution that is made to support the governance of states and federations (Brooks, 1998; Leadbeater, 1998; Mumford, 2002; Tomkins, Packman, Russell & Colville, 2001; Wolf, 2000). Along with this recognition has come a change in regulatory style. Tax authorities have started to expand their regulatory discourse beyond deterrence to regard taxpayers as partners in an on-going cooperative relationship (Bentley, 1998a; Lamb et al., 2003; Conference Board of Canada, 1998; IRS Customer Service Task Force, 1997; ATO Cash Economy Task Force, 1998). To do this, they have adopted the nomenclature of the market place, regarding taxpayers as 'clients' or 'customers' who can be moved toward

compliant behaviour through judicious ‘marketing’ (Coleman & Freeman, 1997; Lamb et al., 2003; Prebble, 2001). Tax authorities around the world are investing heavily to ‘personalise’ services and make it ‘simpler’ and ‘easier’ to comply (ATO Commissioner of Taxation, 2002-03; Conference Board of Canada, 1998; Office of Public Affairs, 2002). As part of this change, taxpayers’ charters and bills of rights have become popular, setting out how taxpayers can expect to be treated by tax authorities and giving a positive message about the mutual benefits of establishing a cooperative relationship (Centre for Tax Policy and Administration, OECD, 2003).

These developments have taken place against broader forces for public service reform that have generated interest in charters as symbols of consumer interests and citizen rights (Hood, 1991; Rhodes, 1994). Within a broader shake-up of the delivery of public services, tax authorities had reason to feel particularly vulnerable. Not only did they display the opaque, unresponsive and impersonal qualities of most enforcement oriented bureaucracies, but also they attracted criticism for what some saw as excessive powers that could be used unscrupulously against citizens (Joint Committee of Public Accounts Report, 1993; McLennan, 2003; National Commission on Restructuring the Internal Revenue Service, 1997). To make matters worse, in a rapidly globalising world, tax authorities have struggled with outmoded templates for decision-making, narrow, stovepipe focused outcomes and cumbersome tax law, giving little assurance that the extraordinary powers will be used only in the name of fair and reasonable administration (Freeman, 2002; IRS Customer Service Task Force, 1997; McCracken, 2002; Sparrow, 2000). Individual taxpayers fear how tax authorities may unfairly and unreasonably undermine their advancement (Bentley, 1994, 1995; Office of Public Affairs, 2002). It is, therefore, neither surprising nor inappropriate that charters and bills of rights for taxpayers have moved beyond a concern with ‘service standards’ to come under the umbrella of human rights more generally (Baker, 2000; James et al., 2004; McCracken, 2002).

Which message is communicated to the public through taxpayer charters – taxpayer-tax office interdependence or individual protection – varies across jurisdictions. In the United Kingdom, the rights rhetoric has been downplayed (James et al., 2004; Williams, 1998) in favour of service standards and complaints mechanisms, or more specifically Codes of

Practice (see www.inlandrevenue.gov.uk). The Canada Revenue Agency has straddled the service and rights discourses through adopting a code that emphasises ‘fairness through service’ (Canada Revenue Agency, 2003a, 2003b). Other countries such as the United States have placed a rights discourse at the forefront, and with revisions of their bill of rights have enhanced the powers of taxpayer advocates (IRS Customer Service Task Force, 1997). Australia has adopted a hybrid of the rights-services discourses.

The relative merits of taxpayer rights have ignited debate. Many scholars are critical of the degree to which taxpayers’ charters can adequately protect individual rights (Bentley, 1998a; Italia, 2001; James et al., 2004). Italia (2001) has argued that if individuals are seeking protection, they are best to look beyond the tax domain for a declaration of human rights in their nation’s constitution. On the other hand, taxpayer rights are regarded by some as weakening the efficiency of the tax authority to collect taxes. Charters and bills of rights provide a foothold for those wishing to challenge a tax authority (Greenbaum, 1998; James et al., 2004; McLennan, 2003). In particular, game playing with tax law (McBarnet and Whelan, 1999) can be aided by charters. Elements of the charters may be called into play to postpone hearings or derail legal procedures with the express purpose of avoiding a tax decision. While these issues are being debated by scholars, few question the supposition that taxpayers’ charters have the capacity to improve the authority’s relationship with taxpayers (Centre for Tax Policy and Administration, OECD, 2003). Whether or not this is actually the case has, until now, attracted little empirical attention. Nevertheless, the assertion gains credibility from a substantial body of research linking perceptions of how authorities treat citizens to subsequent cooperation and compliance, particularly in regard to the practice of procedural justice (Tyler, 1990; Braithwaite, 1995). It is to this literature that we now turn.

A theoretical framework for examining charters as vehicles for relationship building

By relationship is meant a connection between two entities – be those entities individuals, groups, organizations or abstract entities – such that what is true of one has a bearing on, influences or is relevant to another. In the social sciences, this general understanding of relationship gives rise to a range of analytic paradigms that vary with discipline. When we

refer to a relationship between citizen and government we may be referring to a literature that explores *what this connection ought to be* – who should be doing what for whom. Distinct from this normative account is a *formal description of how entities are connected*, perhaps from a legal perspective, or perhaps from a social role perspective. In each case, insights are collected through the observation of events and the analysis of data that details actions and reactions. A third approach, and the one that frames the use of relationships in this research, is perceptual or subjective, one that interprets events through the eyes of the beholder. *How we see other entities, how we interpret their motives and actions, and how we make sense of our engagement with them* shapes the ways in which each of us responds (Thomas & Znaniecki, 1918). Nowhere is this more apparent than in the domain of taxation (Alm, Sanchez & Juan, 1995; Andreoni, Erard & Feinstein, 1998).

Within the regulatory context, the emotional and social cognitive stance that people take in response to the actions of an authority have been referred to as motivational postures (Braithwaite, 1995, 2001, 2003a; Braithwaite, Braithwaite, Gibson & Makkai, 1994; ATO Cash Economy Task Force, 1998). These postures are public signals of the degree of social distance that individuals want to place between themselves and the authority. In turn, authorities are able to monitor the social rift developing between themselves, as supposedly legitimate regulators of human conduct, and their constituents who, as individuals or as groups, can respond through giving or withholding respect and cooperation.

Two dimensions have been identified as underlying these motivational postures or the ways in which taxpayers engage with tax authorities (Braithwaite, 2001, 2004). The first dimension is called cooperation –resistance and represents the degree of liking in the relationship between the taxpayer and the tax authority. One end of the dimension is defined by positive affect and positive engagement with the tax system in terms of goals and processes, the other is defined by negativity and suspicion toward the authority.

The second dimension called dissociation represents freedom from control by the tax authority. Dissociation is expressed in one or two ways. Taxpayers may disengage from the system, withdrawing to the point where they don't care what the authority does to

them. Or, taxpayers may transcend the power differential, and enter the system as a worthy opponent, game playing with the authority through finding loopholes and challenging legal interpretation. Either way, taxpayers refuse to engage with the tax authority on its terms.

Social psychologists have produced a body of work that leads to predictions about how the performance of a tax authority on its charter or bill of rights might flow on to affect taxpayer's willingness to cooperate or accept authority. Charters prescribe the processes to which authorities adhere in order to deliver procedural justice to constituents (Braithwaite & Reinhart, 2001). The major elements of procedural justice were defined broadly by Leventhal (1980) as including both objective structural issues and subjective evaluations in the following domains: the selection of rule makers and arbiters, processes for setting ground rules, processes for gathering information, processes for using information to make decisions, processes for appealing decisions, and processes for considering and bringing about change. Although charters for taxpayers do not cover all these areas, they refer to most of them in order to inform citizens of what they can expect in their dealings with the authority.

The perception that an authority adheres to the principles of procedural justice has emerged as one of the major determinants of cooperation and compliance with authority in a range of settings (Tyler, 1990, 1997). Yet the effects of procedural justice are not uniformly strong. Procedural justice overcomes the desire for favourable personal outcomes (distributive justice) when individuals define themselves as members of the regulator-regulatee community. When individuals define themselves as being outside such a community, the degree to which procedural justice elicits cooperation and compliance is greatly reduced (Tyler & Degoey, 1995). In light of these findings, we predict that taxpayers who perceive the tax authority adhering to charter principles will be more likely to cooperate with a tax authority. Perceptions of high charter performance, however, will do little to break down the resolve of those who have dissociated from the system.

Procedural justice is the essence of taxpayers' charters. Scholars who are concerned to define principles of good governance, however, would be quick to point out that *where* governments lead their citizens is every bit as important as *how* they lead them. On this

basis, some would question whether or not it is particularly important to monitor ratings of charter performance. A broader perspective that takes account of fairness and reasonableness of outcomes as well as process has been referred to elsewhere as integrity (Selznick, 1992). Tax system integrity has been defined as connectedness in goals and objectives, soundness of purpose, and processes that reflect on and evolve that purpose in response to community needs (Braithwaite, 2003b). Integrity is much broader in its scope than procedural justice, but the concepts are related. Procedural justice is part of, but not all of integrity. And integrity would not be possible without procedural justice.

While the link exists in theory, the question remains of whether taxpayers make this link. This paper therefore has a second objective: To look for the determinants of why people rate the tax authority on charter principles as they do. Do the ratings serve narrow self-interest by reflecting personal experiences of fortunate or unfortunate outcomes with the Tax Office, do they reflect endorsement of the purposes and goals of the tax authority, or do they simply reflect what they are purported to represent – the extent to which tax authorities deal with taxpayers in a way that is respectful of their rights?

The major concerns of this paper, therefore, are twofold: (a) what kinds of relationships can be built through charters; and (b) what drives the ratings that citizens give tax authorities on charters? Before addressing these questions, the basic issue of measuring a tax authority's performance on a taxpayers' charter will be discussed, using Australia's *Taxpayers' Charter* as a case study for empirical analysis.

Research context: Australia's Taxpayers' Charter

How a charter is working is unavoidably context bound, shaped by the tax system in which it operates (Bentley, 1995; Centre for Tax Policy and Administration, OECD, 2003; Mumford, 2002). This paper relies on data evaluating the Australian Taxation Office's (Tax Office) *Taxpayers' Charter* and collected through two national surveys in 2000 and 2001-2. Given that so little empirical data is available on what people make of their charters, it seems reasonable to tolerate a degree of parochialism in a bid to map out the research territory of their use. The conceptual framework and hypotheses hopefully can be

transported elsewhere to go some way toward meeting the challenge set down by Tomkins, Packman, Russell & Colville (2001) to better understand the management of tax regimes.

The Tax Office *Charter* launched in 1997 covered taxpayer rights, service standards, avenues of redress, and taxation obligations. The commitments that the tax authority made to the public, in relation to formal Tax Office communications and decisions as well as interpersonal encounters, were captured through 12 principles. In 2003, the *Charter* was reviewed and extended to 13 principles, selecting out as a separate principle, the right to make a complaint (see (k) below). The new *Charter* also features slightly modified wording and explanations to clarify the meaning of the principles. The 13 principles are: (a) treat you fairly and reasonably; (b) treat you as being honest in your tax affairs unless you act otherwise; (c) offer you professional service and assistance to help you understand and meet your tax obligations; (d) accept you can be represented by a person of your choice and get advice about your tax affairs; (e) respect your privacy; (f) keep the information we hold about you confidential in accordance with the law; (g) give you access to information we hold about you in accordance with the law; (h) give you advice and information you can rely on; (i) explain to you the decisions we make about your tax affairs; (j) respect your right to a review; (k) respect your right to make a complaint; (l) administer the tax system in a way that minimises your costs of compliance; and (m) be accountable for what we do.

These principles subsume the OECD's guidelines for the development of a taxpayers' charter (Centre for Tax Policy and Administration, OECD, 2003). The OECD's Committee of Fiscal Affairs (1990) identified six rights which they concluded were commonly recognized among OECD countries: (a) the right to be informed, assisted and heard; (b) the right of appeal; (c) the right to pay no more than the correct amount of tax; (d) the right to certainty; (e) the right to privacy; (f) the right to confidentiality and secrecy. These rights aim to protect the taxpayer from the inappropriate use of power by the tax authority.

In addition, Australia's *Taxpayers' Charter* follows a number of other countries (in particular, Canada and the UK) in extending the rights discourse to encompass quality service. For analytic purposes, Bentley (1998b) differentiates legal rights from

administrative rights in the *Charter*. He describes ‘third order administrative rights’ as those representing the tax authority’s aspirations to abide by rules of social etiquette, principles that may be important for relationship building but that do not have legal standing. In effect, the *Charter* acknowledges rights that empower the taxpayer, and at the same time commits the tax authority to action that is respectful of these rights. It is as if the tax authority is saying to taxpayers: ‘We know you have these rights, but you will not have to demand them, we will act in ways that honour them.’ Through providing taxpayers with expectations that the Tax Office will be fair and reasonable, treat taxpayers as honest, respect privacy, honour confidentiality, and be accountable, an agenda is signalled that is proactive in building a cooperative relationship with the public.

Thus, the *Charter* explicitly combines principles that respect the taxpayers’ right to be protective in relation to their own wellbeing – they remind taxpayers of the powers they have as individuals – along with principles that signal the authority’s interest in a partnership. Through these principles, Australia’s *Taxpayers’ Charter* meets, in theory, its objective of ‘outlining the relationship we seek with the community – a relationship based on mutual trust and respect’ (Commissioner’s Foreword, Australian Taxation Office, 2003). The next question is how can performance on the *Charter* be measured in order to empirically test the practical realities of whether or not people see themselves in a relationship with the tax authority.

1. METHOD OF EVALUATING CHARTER PERFORMANCE

At the outset, it should be emphasized that the focus here is on the subjective evaluations of how the Tax Office is performing on the *Charter*. Subjective assessments should not be construed as replacements for more objective assessments that involve audits of response times to taxpayer requests, checks on the accuracy of the advice given, or reviews of appeals processes (see for example, United States General Accounting Office, 1998). Perceptions are important in their own right, however, because if individuals do not believe that tax authorities comply with their charters, then an essential part of the argument causally linking the actions of the tax authority to levels of cooperation from the taxpaying population is absent. In order for taxpayers to reciprocate in the form of cooperative,

respectful and reasonable actions, they must perceive the tax authority's actions as such.

The data used for evaluating the *Charter* were collected by the Centre for Tax System Integrity (Braithwaite, 2001; Braithwaite, Reinhart, Mearns & Graham, 2001) at the Australian National University through two random national surveys: The Community Hopes, Fears and Actions Survey (CHFAS) and the Australian Tax System: Fair or Not Survey (ATSFONS). The first survey, CHFAS, was conducted between June and December 2000, and was a tax omnibus designed to collect baseline data on how Australia's tax system was faring at the time of the introduction of the GST. A sample of 7754 randomly selected citizens from the publicly available electoral rolls received a questionnaire and reply paid envelope. Reminders were sent at varying intervals over the following six months to those with whom we had had no contact. Included in this process was a mail out with a new questionnaire after five weeks. In all, 2040 questionnaires were collected for analysis. The response rate, after adjusting for out-of-scope respondents (no longer at the address or deceased), was 29%. While low in comparison with other surveys, this response rate is consistent with other research reports based on single topic tax surveys (Kirchler, 1999; Pope, Fayle & Chen, 1993; Wallschutzky, 1996; Webley, Adams & Elffers, 2002). Detailed analyses of early versus late respondents and comparisons with census data on social demographic indicators suggested that the sample provided a relatively representative cross-section of the Australian population. Underrepresented were young males and over-represented were those in scribing occupations (see Mearns & Braithwaite, 2001, for details on the methodology and the sampling).

Between November 2001 and February 2002, the second survey, ATSFONS, was conducted. This survey mainly comprised a subset of the CHFAS questions with some additions including attitudes to the GST and tax avoidance. The prime purpose of this survey was to track changes in attitudes to the tax system. The main sample therefore comprised respondents to the 2000 survey. In order to strengthen the methodology of the study and test for further sources of sample bias, the ATSFONS was also sent to two other groups: (a) a new sample of 3000 citizens selected from the electoral roll and (b) a sample of 2000 CHFAS non-respondents, chosen randomly from the portion of the CHFAS sample who neither accepted nor declined our invitation to take part. For the purposes of

the present paper, we will restrict ourselves to the 1161 CHFAS respondents who were successfully followed up and who completed the ATSFONS. The retention rate was 69%.

Measuring Charter performance

The procedure used to evaluate the *Taxpayers' Charter* was identical across surveys. Respondents were asked to use a five point rating scale ranging from almost never (1) to almost always (5) to answer the question: Do you think that the Tax Office acts in accordance with the [*Taxpayers' Charter*] standards set out below? The original 12 principles (all except k above) were then listed and respondents had to assess each of them in turn using the scale that was provided.

Initial analyses of these data showing the degree to which the population endorsed the tax authority's performance on each of these standards have been reported in detail elsewhere (Braithwaite & Reinhart, 2000; James et al. 2004). Social-demographic differences on *Charter* ratings are relatively minor, thus justifying the aggregated responses reported below. The percentages reporting that the tax authority acted in accordance with the *Charter* 'most times' or 'almost always' for 2000 and 2001-2 are presented in Table 1. The *Charter* principles appear in descending order from the principle most consistently honoured in 2000 to the principle that was least often honoured. Thus, being treated as honest, having the freedom to seek an advisor, and having confidentiality and privacy respected were areas in which the Tax Office performed well in the eyes of the public. Less praise was directed at the Tax Office in terms of consistently being accountable and helping to minimise costs.

In general, the performance of the Tax Office on the principles dropped between 2000 and 2001-2. James et al., (2004) have documented a statistically significant difference in taxpayer ratings from the CHFAS to the ATSFONS for 8 of the 12 standards, a finding that they suggest may be due to up-beat Australian sentiment about the tax system prior to the introduction of the Goods-and-Services Tax (GST). The government engaged in an extensive advertising campaign to launch the GST as part of a new and fairer tax system (Media Watch, 2004).

Table 1: The percentage of Australians who considered the Tax Office acting in accordance with Charter principles most times or almost always

Charter principles	%	%
	'00	'02
Treating you as honest in your tax affairs	74	66
Accepting your right to get advice from a person of your choice	72	63
Keeping information confidential	71	69
Respecting your privacy	62	61
Treating you fairly and reasonably	62	52
Giving you access to information they hold about you	61	51
Offering you professional service and assistance	56	51
Explaining decisions about your tax affairs	53	49
Giving you advice and information that you can rely on	53	48
Giving you the right to an outside review	51	41
Being accountable for what they do	46	41
Helping to minimise your compliance costs	36	32

Are there other explanations for the drop in ratings?

The generality of the drop in ratings (across virtually all the standards) supports this interpretation, but there are differences in how much particular standards dropped in comparison to others, and these differences may be explained by an additional factor. The standards that displayed the most dramatic drop from 2000 to 2001-2 are being treated as honest, being treated fairly and reasonably, the right to seek advice from a person of one's choice, the right to an external review, and the right to have access to information about oneself.

Between the surveys, the Tax Office was publicly engaged in conflict with taxpayers who had become involved in mass marketed tax effective schemes (see Murphy 2003a, 2003b, 2004a, 2004b for a detailed analysis of this conflict). These schemes had been widely promoted in the community during the 1990s as effective tax minimization strategies under Australia's self-assessment system. In 1998, the Tax Office concluded that the tax deductions claimed through these schemes were in breach of the anti-avoidance provisions of Part IVA of the *Australian Income Tax Assessment Act 1936* and issued amended tax assessments with interest and penalties going back six years. The result was that many investors found themselves in debt to the Tax Office for very large sums of money. According to Murphy (2003b), 'in October 2001 – three and a half years after amended

assessments had been issued – more than 50% of scheme investors had still refused to enter into settlement arrangements with the Tax Office to pay back their tax debts’ (p. 384).

In addition to the financial burden, taxpayers were humiliated in the media frenzy surrounding the event with labels such as ‘tax cheat’ (Murphy, 2003b). Taxpayers challenged the Tax Office on the grounds that they had consulted tax advisors before investing in the schemes. The conflict between the Tax Office and the taxpayers and their advisors escalated to the point where a Senate Inquiry was held, ‘*Inquiry into Mass Marketed Tax Effective Schemes and Investor Protection: Final Report*’ (Senate Economics References Committee, 2002). The Inquiry was critical of the Tax Office’s delay in warning the public about the questionable legitimacy of the schemes for tax minimization purposes. Furthermore, Murphy (2004b) concluded on the basis of survey research with these investors, that a strong case could be made for linking taxpayer resistance to settlement with perceptions of procedural injustice at the hands of the Tax Office. The *Charter* elements of being treated as honest, fairly and reasonably, of having an independent advisor and an external review were all present in the mass marketed schemes controversy and are among the standards that drop most markedly between 2000 and 2001-2. These results provide some face validity for the proposition that national survey evaluations of Tax Office performance on the *Taxpayers’ Charter* reflect the public’s response to controversial actions by that authority.

2. WHAT KINDS OF RELATIONSHIPS ARE BUILT THROUGH A CHARTER?

Explaining cooperation-resistance and dissociation

This section of the paper examines the empirical relationships between respondents’ ratings of Tax Office performance on the *Charter* in 2000 and their inclination to cooperate with or dissociate from the system in 2001-2. The analyses are of three kinds. First, bivariate correlations are examined to answer the question, how well does adherence to a specific principle relate to cooperation-resistance and dissociation? Next, regression analyses are used to address the question of which of these 12 principles are the best predictors of cooperation-resistance and dissociation. Finally, regression analyses are used

again but with a slightly different question: When people change their levels of cooperation-resistance or dissociation between 2000 and 2001-2, which specific principles account for that change? Are some more important than others?

Bivariate correlations between specific Charter principles and cooperation–resistance and dissociation

Initially, the *Charter* ratings were correlated with the scales that had been developed to measure cooperation-resistance and dissociation (see Appendix for scales). These results are presented in Table 2. All of the *Charter* principles were positively related to cooperation-resistance 18 months later. Those who believed that the Tax Office performed well on the *Charter* principles were more likely to express a cooperative stance toward the Tax Office in the future.

Table 2: The extent to which ratings of Tax Office performance on each Charter principle in 2000 correlates with self-reported levels of cooperation-resistance and dissociation in 2001-2

Charter principles	<i>r</i> cooperation	<i>r</i> dissociation
Treating you as honest in your tax affairs	0.37***	-0.13***
Accepting your right to get advice from a person of your choice	0.29***	-0.13***
Keeping information confidential	0.28***	-0.03
Respecting your privacy	0.32***	0.00
Treating you fairly and reasonably	0.42***	-0.10***
Giving you access to information they hold about you	0.27***	-0.02
Offering you professional service and assistance	0.30***	-0.04
Explaining decisions about your tax affairs	0.34***	-0.04
Giving you advice and information that you can rely on	0.35***	-0.04
Giving you the right to an outside review	0.29***	-0.04
Being accountable for what they do	0.37***	-0.09**
Helping to minimise your compliance costs	0.36***	0.01

** $p < 0.01$, *** $p < 0.001$

The relationships between *Charter* ratings and dissociation were far less impressive. Indeed, one could say that the prediction of dissociation from *Charter* ratings was dismal. The links that did emerge showed dissociation as being somewhat higher in 2001-2 among those who, in 2000, gave the Tax Office a relatively lower rating on treating taxpayers as

honest, fair and reasonable, as being accountable, and respecting the right to have an advisor.

Using regression analysis to predict cooperation–resistance and dissociation

A second analysis sought to quantify the observation that cooperation-resistance could be predicted quite well from *Charter* ratings whereas dissociation could not, and to ask the question, which principles were doing most of the work in predicting cooperative or dissociative behaviour? Stepwise multiple regression analysis was used to identify those *Charter* principles that could be considered the best subset of predictors of cooperation–resistance in the first instance, and then dissociation. Because the *Charter* principles have been found to intercorrelate very highly, it was likely that some *Charter* principles would dominate others in the regression model. A stepwise procedure, therefore, was preferred to a model that contained the full set of variables. In this way, a ‘short list’ of principles that were critically important in this situation could be identified.

The beta coefficients for the variables that were entered into the regression model as significant predictors are reported under Model 1 in Table 3. Five *Charter* principles dominated the analysis predicting cooperation-resistance: treating taxpayers as honest, giving fair and reasonable treatment, being accountable, respecting privacy, and minimizing compliance costs. Together they accounted for 22% of the variation in cooperation-resistance scores. These findings suggest that from the perspective of the Tax Office, meeting community expectations on these five key *Charter* principles in 2000 would have been a worthwhile strategy for building community partnerships and avoiding communities of resistance in 2002.

In the case of dissociation, the results under Model 1 in Table 3 reveal a different picture. The percentage of variation accounted for in dissociation was a low 4%. The best predictors among the *Charter* principles were being treated as honest, respecting the right to have an advisor, respecting privacy, and minimizing compliance costs. Not being treated as honest and not having the right to an advisor respected in 2000 predicted higher dissociation in 2001-2, as might be expected. But once these variables were controlled it

was a higher rating on respecting privacy and a higher rating on minimizing costs that predicted *greater* dissociation. These findings are weak in magnitude, but they add substance to concerns that have been expressed in relation to taxpayer rights: In the hands of some, in this case those who have dissociated from the system, rights may be seen as an opportunity to escape the obligations of the system (McLennan, 2003; James et al., 2004).

Table 3: Predicting cooperation-resistance and dissociation from Charter principles^a

Charter principles	Beta coefficients			
	Cooperation		Dissociation	
	Model 1	Model 2	Model 1	Model 2
Control for Time 1		0.58***		0.58***
Treat you as honest in your tax affairs	0.12**	0.09**	-0.16***	-0.07*
Treat you fairly and reasonably	0.17***			
Be accountable for what they do	0.10**			
Respect your privacy	0.08*		0.08*	
Help minimise compliance costs	0.13***		0.11**	0.08**
Respect right to get advice			-0.15***	-0.08**
Explain decisions		0.07*		
Variation accounted for: Adjusted r^2	0.22***	0.44***	0.04***	0.37***

^a The method of analysis used here is a hierarchical stepwise regression analysis. Initially, the Time 1 measure of the dependent variable is entered into the regression model, but on the next series of steps, variables are entered into the model if they do the best job at improving the variance accounted for in the dependent variable and if the variance they add is significant. If there is no beta coefficient in the table for a particular principle, this means that the variable did not add significantly to the variance accounted for in the dependent variable.

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Using regression analysis to predict change in cooperation–resistance and dissociation

Model 1 in Table 3 describes the prediction of behaviours in 2001-2 (cooperation-resistance and dissociation) from those in 2000 (*Charter* ratings). A more fine-grained analysis would ask if any of the *Charter* ratings measured in 2000 predict *change* in cooperation-resistance or *change* in dissociation from 2000 to 2001-2? Analytically, the change hypothesis can be tested through controlling for the scores that respondents obtained on cooperation-resistance in 2000 (when predicting cooperation-resistance in 2001-2), and dissociation in 2000 (when predicting dissociation in 2001-2).

Regression Model 2 on the left in Table 3 involves entering cooperation-resistance in 2000 into the regression model first, and on a subsequent step entering *Charter* principles in order to answer the question, which ones bring about the most *change* in cooperation-resistance over this period. Two *Charter* principles are associated with change. Those who rated the tax authority poorly on treating taxpayers as honest and on giving an explanation for a tax decision became less cooperative and more resistant between 2000 and 2001-2.

When the same analysis was conducted with dissociation, change was associated with three variables. Dissociation increased for those who reported failings by the Tax Office in treating people as honest and in respecting the right to have an advisor. Dissociation also increased among those who agreed that the Tax Office performed well at keeping taxpayer compliance costs to a minimum. Again, there is the suggestion that the *Charter* may become an aid to game playing among taxpayers who regard the Tax Office not as an authority, but as a competitor.

Summary of what Charter ratings predict

Together, these findings show that the ratings that citizens give to the Tax Office on the *Taxpayers' Charter* can be thought of as a litmus test for future cooperation and resistance. These findings strengthen the interpretation of the *Charter* as a symbol of relationship building between the taxpayer and the Tax Office. *Charter* ratings tell us very little, however, about the growth and decline of dissociation. As expected, the *Charter* is less useful as a set of principles for bringing people back into an authority structure, once that authority has lost respect. The *Charter* works when there is a relationship in place – either resistant or cooperative between an authority and those it governs. It does not work well when that relationship has been severed.

Within the context of this study, the single most important *Charter* principle was to be treated as ‘honest in your tax affairs.’ This principle predicted improved future cooperation-resistance and less dissociation, and contributed to explaining change in *Charter* ratings between 2000 and 2001-2. Thus, we find evidence of what Bentley (1998b) would refer to as ‘aspirational etiquette’ pushing out more legally grounded rights

as predictors of how individuals relate to the tax authority.

Among the other predictors, it is of interest that principles such as fair and reasonable treatment, respect for privacy and help to minimise costs figured prominently as bridge builders for cooperation-resistance, but not dissociation. Rights discourse does little to improve relationships with the dissociated, except perhaps in the case of the right to be given independent advice and to have this advice respected. This principle was positively correlated with cooperation and negatively with dissociation. It also was shown to reduce dissociation across time. Within the world of taxation, taxpayers who have dissociated appear to be looking beyond the tax authority for leadership.

3. WHAT FACTORS PREDISPOSE TAXPAYERS TO GIVE HIGHER AVERAGE CHARTER RATINGS?

If *Charter* ratings are to be regarded as a credible source of feedback for a tax authority, it is important to understand the forces that shape them. All tax authorities would hope for a simple dynamic: If they implement the principles of the *Charter* diligently and consistently, their performance would be noticed and attract high rates of approval from taxpayers. It is this very dynamic, however, that creates fear in the hearts of those who wish mass publics would look more critically and participate more actively in their democracy. The nicety of policy implementation should not be allowed to drown out critical analysis of the substantive issues of policy direction.

There is good reason to doubt whether the basis for *Charter* ratings is as simple as that just described. Rarely are our attitudes formed in a psychological and social vacuum. Other attitudes and beliefs exert their influence, shaping how we see our environment (Rokeach, 1968, 1973). If we hold deeply entrenched attitudes and beliefs that are antagonistic to the Tax Office, our *Charter* ratings may be consistently on the low side, reflecting these negative preconceptions. Similarly, if our sense of identity is threatened by the Tax Office, we may be wary, if not blind, to *Charter* implementation that is designed to improve relations and build partnerships (see Allport, 1961 for an early discussion of how our attitudes are in the service of protecting our self-respect).

A set of factors considered likely triggers for antagonistic attitudes and threat to identity was identified from the tax compliance literature (Frey, 2003; Grasmick & Bursik, 1990; Jackson & Milliron, 1986; Kirchler, 1999; Scholz & Lubell, 1998; Wenzel, 2002). Five possible determinants of *Charter* ratings were singled out for empirical analysis: (a) justice in making and delivering decisions (perceptions of distributive justice – obtaining outcomes that are favourable to the taxpayer – are pitted against perceptions of procedural justice – dealing with taxpayers in a respectful fashion and giving them representation); (b) experiences of trust or adversarialism in relation to the Tax Office; (c) endorsement of tax reform through the GST (both the reform, and its implementation); (d) deference to the tax authority; and (e) dissatisfaction with government.

From the perspective of a tax authority, some of these influences are within its control, others are not. For instance, responses given through blind obedience will boost ratings and mask the detection of the authority's performance failings. Dissatisfaction with government, in contrast, will depress performance ratings. Because they are outside the control of the tax authority itself, such influences might be conceived as 'illegitimate' and as limiting the usefulness of the ratings.

From another equally valid perspective – the perspective of proponents of good governance – some influences reflect tax system integrity, others not. For instance, if *Charter* ratings dropped because taxpayers were audited – based on evidence of tax evasion – *Charter* ratings might again be considered too blunt an instrument for monitoring Tax Office performance. Again, the issue of an influence being 'illegitimate' enters our deliberations. While recognizing the point that the theoretical import of the variable needs to be discussed independently of empirical importance, we will postpone this discussion until later. The purpose of this section is to subject these various potential influences to empirical analysis.

Relating five influences to an aggregate measure of Charter performance

To represent the five types of influences, 10 variables were selected for further empirical analysis. They are listed in Table 4. Measurement details, unless otherwise specified, are

available in Braithwaite (2001). These 10 variables are related to a composite measure of *Charter* performance.

The composite measure of *Charter* performance is obtained by averaging the ratings over the 12 principles for each individual, producing a single score ranging from 1 to 5. The justification for this procedure is that both factor analysis and internal consistency analysis point to the existence of one underlying dimension of how well the Tax Office performed in implementing and abiding by its *Charter*.

Bivariate correlations between sources of influence and an aggregate measure of Charter performance

When the averaged *Charter* scores in 2001-2 were correlated with the 10 hypothesized predictors from 2000, all correlations were statistically significant. The results are reported in the second column of Table 4. These findings show the complexity of *Charter* ratings in that they are related to a range of other attitudes and beliefs about government, the tax system and how the Tax Office is doing its job.

If we focus on the magnitude of the correlation coefficients in Table 4, however, there is an indication that some factors are more important than others. High *Charter* performance was most strongly correlated with trust in the Tax Office and procedural justice. Taxpayers who believed that the Tax Office served the common good, acted impartially, and met its obligations gave higher ratings on the *Charter*. Similarly, taxpayers who regarded the Tax Office as having respect for citizens, consulting them and treating them as trustworthy, that is, as delivering procedural justice, were more likely to provide high *Charter* ratings. These very high correlations provide validity for the claim that Australia's *Taxpayers' Charter* is a document that describes the quality of the relationship between the tax authority and the taxpayer.

Table 4: Predicting average Charter ratings in 2001-2 from experiential and attitudinal measures taken in 2000 and predicting change using ordinary least squares regression analysis

Predictors	Correlation coefficients <i>R</i>	Beta coefficients Model 1	Beta coefficients Model 2
Control for Time 1			0.34***
<i>Deference</i>			
Likelihood of getting caught	0.14***	0.08**	0.07**
Deference to Tax Office decisions ^a	0.12***	0.00	0.00
<i>Dissatisfaction with government</i>			
With services received for tax paid ^b	-0.31***	-0.11***	-0.10***
With the way government spends taxpayers' money	-0.25***	0.05	0.06
<i>Justice in the tax system (personal)</i>			
Distributive justice	0.39***	0.13***	0.07*
Procedural justice ^c	0.53***	0.25***	0.09*
<i>Responses to tax reform</i>			
Agree with a goods-and-services tax ^d	0.18***	0.02	0.02
Helpful advice with GST ^e	0.30***	0.13***	0.14***
<i>Experiential variables</i>			
Trust in the Tax Office	0.52***	0.21***	0.16***
Conflict with the Tax Office	-0.12***	0.01	0.01
Adjusted r^2		0.36***	0.42***

^a In an earlier publication, this scale was called obligation and appears as part of the legitimacy variables (Braithwaite, 2001).

^b This scale (M = 3.04, SD = 0.91, alpha = 0.42) comprises the average of responses to two items (a) Would you prefer to pay less tax even if it means receiving a more restricted range of goods and services? (b) Do you think the tax you pay is fair given the goods and services you get from the government? (reverse) ratings were given on a 1-5 strongly disagree to strongly agree scale.

^c The procedural justice scale (M = 3.00, SD = 0.68, alpha = 0.84) combined three scales that are part of the fairness measures in Braithwaite (2001): (a) respect; (b) trustworthy treatment; and (c) consultation.

^d Agreement with a goods-and-services tax (M = 2.62; SD = 0.95; alpha = 0.87) was measured by averaging the responses to these items: (a) The GST was a tax we had to have; (b) My standard of living now is just as high as it was before the GST; (c) Some goods and services should be exempted from the GST (reverse); (d) A GST is the best way to make sure that the government has enough money to run the country; (e) The GST has been hard on the most vulnerable members of the our community (reverse); (f) The GST has increased the gap between the rich and the poor in Australia (reverse); and (g) A tax on goods and services is a fair way of collecting the tax needed to run Australia. Responses were made on a 1-5 strongly disagree to strongly agree scale.

^e Recognizing helpful advice (M = 2.90; SD = 0.91; alpha = 0.77) was measured by averaging the responses to these items: (a) A lot of helpful information was given to the community about the GST; (b) The GST has had a smooth introduction, all things considered; (c) The advice that was offered to the community when the GST was introduced was poor (reverse); and (d) The Tax Office did its best to help us deal with the GST. Responses were made on a 1-5 strongly disagree to strongly agree scale.

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Among the middle ranking correlations in Table 4 were providing help with the introduction of the GST and receiving Tax Office decisions that are favourable (distributive justice), both of which improved ratings; and being dissatisfied with government's use of tax money and the public goods-for-tax exchange, both of which lowered ratings. These middle ranking correlations re-ignite concerns that *Charter* ratings may reflect irrelevant considerations and therefore are not useful benchmarks for assessing Tax Office performance. Somewhat more reassuring in this respect are the correlations associated with having conflict with the Tax Office, and being deferential to Tax Office authority. In both instances, the coefficients are low, suggesting that while taxpayers were somewhat influenced by these considerations, they were not swayed notably by them. Compared to other factors, subservience was not a major force shaping taxpayer evaluations, and taxpayers, surprisingly, were not blinded to a noteworthy degree by personal experiences of adversarialism or contestation. These data suggest that taxpayers accept and are mindful of the context in which they provide ratings of *Charter* performance: The tax authority is evaluated on terms that take into account its *raison d'être* – to collect the correct amount of tax from taxpayers in a manner that is fair and reasonable.

Using regression analysis to predict Charter performance and change

To provide a more rigorous comparative test of the importance of the 10 predictors in Table 4, two regression models were tested. The first model (Model 1 in Table 4) included all 10 variables measured in 2000 and used to predict *Charter* ratings in 2001-2. The second model (Model 2 in Table 4) predicted change in *Charter* scores from 2000 to 2001-2 through adding the control variable of *Charter* scores in 2000. The variables that emerged as significant in these two models were the same. Most important was trust in the Tax Office, followed by helpfulness in introducing the GST and procedural justice. All of these factors predicted improved *Charter* performance. Less important, but nevertheless significant in improving *Charter* ratings were favourable Tax Office decisions, being satisfied with the services received for the taxes paid, and believing one was likely to get caught for wrong doing.

Charter ratings were influenced by a set of factors, not all of which were strictly relevant to abiding by the *Charter*. But the regression analyses also revealed that the predictors that stood out above and beyond others shared a common feature. They were relevant to evaluating the bigger picture of whether the tax system is working as it should. This bigger picture lines up surprisingly well with the concept of tax system integrity outlined earlier (Braithwaite, 2003b).

Summary of what determines Charter ratings

Average *Charter* ratings have been shown to vary with a number of factors, but the most important were (a) trust in the authority to act impartially and on behalf of all citizens and (b) procedural justice whereby taxpayers believed they were being treated as trustworthy, with respect, and included in deliberations about the future of the tax system. These determinants stood out above all others as capturing the essence of the *Taxpayers' Charter* as conceived by the Tax Office. Also among the most important predictors of positive *Charter* ratings was recognition of helpfulness surrounding the introduction of the GST. The *Charter* appears to be sufficiently sensitive to reflect quality of service accompanying tax reform, regardless of the popularity of the reform itself.

Perceptions of the chances of being caught boosted *Charter* ratings, while receiving unfavourable tax decisions and inadequate public services for tax paid depressed them. While not directly relevant to *Charter* performance per se, these factors are integral to evaluating how a tax system is performing overall. Should the community ever come to the view that they could never be caught for tax cheating, that Tax Office decisions were always unfavourable to them, and that taxes paid and services received were disconnected, the tax system and the democracy would be in a sorry state. For this reason, a case will be made below for concluding that these findings expand rather than limit the usefulness of *Charter* ratings.

4. IMPLICATIONS AND CONCLUSIONS

To summarise the findings overall, the *Charter* is meaningful to Australians as a symbol of a partnership that they hold with the Tax Office. When *Charter* ratings are low, the community is resistant to the attempts of the tax authority to regulate their activities. When *Charter* ratings are high, the community is cooperative, possibly even acquiescent to tax authority demands. Dissociation is another matter. The *Charter* does relatively little to change the extent to which individuals have dissociated from the tax authority.

With regard to the sources of *Charter* ratings, they are varied, but standing out in the field of competing influences is the core of procedural justice concerns – being treated with respect, as trustworthy, and being consulted in tax related issues – along with a reciprocated sense of trust in the tax authority as an impartial arbiter and servant of the public interest.

The implications of these findings for the administration of tax regimes and governance more generally are three fold. First, they challenge us to consider the issue of the susceptibility of the public to being seduced into cooperation through fair and reasonable treatment without confronting problems surrounding overall objectives and purpose. The data analysed in this paper showed cooperation to be high, running at the 82% mark for 2000 and 2002. Some would argue that a healthy amount of resistance is desirable in a democracy, but does the *Charter* provide an avenue for citizens to express their resistance or is it a way for a tax authority to ‘paper over’ the resistance that exists? Second, the findings raise the question of how can *Charter* ratings be interpreted in a meaningful way by the tax authority as well as by citizens. Third, the analysis of *Charter* ratings has unexpectedly drawn attention to the absence of a strategy for managing dissociation, a mindset that has been aligned with non-compliance, not only in the field of taxation but also in other fields (Braithwaite et al., 1994). The remainder of this paper deals with each of these implications in turn.

The first derives from a not uncommon argument that *Charter* ratings are ‘feel good’ indicators that lead to uncritical appraisal of a tax authority’s performance. In other words,

they distract attention from the main game of critical policy analysis and development. It is important to acknowledge the dangers for democratic governance of community acquiescence acquired via 'blind' trust and cultivated through 'nice treatment.' Citizens need to have a critical capacity, willingness to express displeasure and a vehicle for doing so to ensure that a tax authority can be responsive to democratic will. Responsiveness on the part of the tax authority and its citizens is a critical part of building and maintaining integrity.

While bearing in mind limitations on generalisability, comparison of *Charter* ratings in 2000 with 2001-2 reveals that the community has the capacity to signal increased resistance in response to what they see as poor tax administration and policy. This is not to say that the tax authority must agree with citizen's perceptions that they have been treated unjustly, or accused wrongly, or subjected to poorly conceived reforms. In the case of Australia's mass marketed schemes, for instance, the tax authority did not agree with many of the criticisms that were levelled against it (Fitzpatrick, 2003). The *Charter* is not the arbiter of who is right, but rather is the messenger of discontent. It is up to the tax authority to find the appropriate process for understanding and resolving the discontent. Community ratings on the *Charter* represent the first step in the process whereby the tax authority can be responsive to the community – either through explaining its position better or changing its position on issues that have caused public concern. In other words, the tax authority has information to allow it to regulate one aspect of its integrity.

But is this information marginal to integrity? It is on this question that we return to the multiple determinants of *Charter* ratings. *Charter* ratings reflect primarily the quality of the relationship between taxpayer and tax authority, as they should. But this is not all they reflect, and for this reason, there are brakes on the capacity of an authority to manipulate public perceptions with a bit of 'spin' and a 'feel good' message. *Charter* ratings are moderated by some hard edge considerations that overlap with the integrity domain – the favourability of outcomes (distributive justice), the delivery of public services (purpose of taxation), and the probability of being caught (enforcement effectiveness). This means that if *Charter* ratings change, tax administrators must be mindful of events that go beyond service delivery.

For practical purposes, taking a broader perspective on interpreting *Charter* ratings is desirable. Tax systems are complex, both in law and administration, and their coordination into a meaningful and integrated whole is a challenge. If tax authorities are not attuned to how the public regard their overall integrity and focus instead on one stovepipe within the institution (that is, service delivery), the consequence is likely to be less efficiency and effectiveness in the tax system. The finding that *Charter* ratings are shaped by factors that extend beyond the domain of service delivery and rights recognition, therefore, pushes self-analysis by the tax authority to a higher level of administrative responsibility. This makes *Charter* ratings more, not less, substantial indicators of Tax Office performance, if the objective is continuous improvement in the tax system.

The second implication of the findings of this paper is largely methodological and relates to how tax administrations that wish to rely on their *Charter* ratings to assess their performance might take account of external determinants. First, the obvious point is that stable irrelevant determinants of *Charter* ratings can be controlled for interpretative purposes through using a baseline. Change in *Charter* ratings, rather than absolute values, becomes the yardstick of improved or deteriorating performance. But what about unstable characteristics, in particular those that relate to broader issues than service delivery, most specifically, integrity? How can we take account of public complaints about tax inequities, for example, tax loopholes for the rich but not the poor? One approach is to measure integrity as well as *Charter* ratings so that the source of community discontent can be teased out of the data through statistical analyses. For example, if the focus of the present paper had been on a full set of integrity measures, we could have ascertained how much of the variation in cooperation-resistance and dissociation was explained by failures of integrity and how much was explained by failures of service delivery. The *Charter* ratings provide valuable information, even if their interpretation requires a deeper analysis of the data.

From an administrative perspective, the third implication of the findings is the most significant and arises from dissociation having little to do with how people perceive the tax authority performing on the *Charter*. When people cut themselves off from the tax authority and refuse to engage with the authority on its terms, *Charter* performance will do

little to improve the situation. The importance of this finding is that it forces recognition that management of taxpayers is vitally important and requires a sophisticated understanding of where community hopes and fears lie with regard to the tax system. Good governance involves responsiveness at two levels – responsiveness to resistance and responsiveness to dissociation. Resistance is a familiar type of defiance that responds to fair and reasonable treatment (Tyler, 1997). Dissociation is a different form of defiance and has been virtually ignored across compliance fields with some notable exceptions (see McBarnet & Whelan, 1999 on game playing). Data collected in Australia put dissociation from the tax system at the 6% mark within the Australian population. The percentage remains small, but the question of how a tax authority can manage dissociation to protect its revenue base is not inconsequential.

To fully appreciate this finding, the nexus between dissociation, compliance and *Charter* performance needs to be considered. Dissociation is an undesirable state for a tax authority because it is linked with both tax avoidance and evasion (Braithwaite, 2003a). Tax authorities, therefore, need to be able to manage dissociation. A condition that lies at the heart of dissociation is a failure to respect the authority of the Tax Office. Thus, it makes sense that offering *Charter* rights and services is unlikely to be a particularly effective regulatory strategy for the dissociated – treatment adds little value, management wise, if the system is judged as being fundamentally flawed. Moreover, it is understandable how the dissociated may see the *Charter* as a chink in the armour of the tax authority that invites exploitation. Yet clearly, a tax authority has nothing to gain through *not* treating taxpayers decently and *not* honouring the *Charter*. Apart from being ethically unacceptable, there is an enormous risk that failure to abide by the *Charter* will jeopardize the cooperation that is already in place among most people in the community.

With these considerations in mind, it is worth re-visiting the one *Charter* principle that stands out from the others as being important to those who have dissociated, that is, the tax authority respecting the taxpayer's right to an outside advisor. To deny this right is to fuel dissociation. Respecting this right provides some hope for containing dissociation.

This finding, while only a small part of the story of dissociation, nevertheless offers a possible step forward. Dissociation may lend itself to management through a model of meta regulation rather than direct regulation (Grabosky, 1995). A meta regulatory model would bring into play an institutional arrangement whereby regulatory responsibilities are devolved to a third party, perhaps special tax advisors or mediators, and the primary regulator, the tax authority, would then regulate the third party rather than the taxpayer. The necessary prerequisite for the third party is to have legitimacy in the eyes of both the taxpayer and the Tax Office. The objective of the third party would be to develop a set of ground rules for how taxpayer-tax authority transactions could proceed to each party's satisfaction and most importantly, in a way that adds to the integrity of the tax system.

The issue of integrity theoretically is linked to a tax authority's *Charter* performance. The above findings demonstrate that integrity and *Charter* performance are empirically linked as well. If we take *Charter* performance out of integrity, we are left with an analysis of the purpose of the tax system and the goals and objectives in place to achieve this purpose. As we have seen from the data analyses presented here, citizens bring these issues to bear on their *Charter* ratings. Tax authorities also must work toward integrating evaluations of *Charter* performance with deliberations about their goals and purpose that are inclusive of the citizenry.

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Appendix

Statements representing cooperation-resistance and dissociation from Braithwaite, 2001.

Cooperation-resistance

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.

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.

If you don't cooperate with the Tax Office, they will get tough with you. (reversed)

The Tax Office is more interested in catching you for doing the wrong thing, than helping you do the right thing. (reversed)

It's important not to let the Tax Office push you around. (reversed)

It's impossible to satisfy the Tax Office completely. (reversed)

Once the Tax Office has you branded as a non-compliant taxpayer, they will never change their mind. (reversed)

As a society, we need more people willing to take a stand against the Tax Office. (reversed)

Dissociation

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.

I enjoy spending time working out how changes in the tax system will affect me.

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 minimising the tax I have to pay.

The Tax Office respects taxpayers who can give them a run for their money.

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