

Centre for Tax System Integrity - Research Note 2

What are the differences between those who have contact with the ATO and those who do not?

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This research note draws on data from those individuals who took part in the ‘Community Hopes, Fears and Actions’ survey (CHFAS) and ‘The Australian Tax System: Fair or not?’ survey (ATSFS). Two sub-samples are compared - those who responded ‘once or more’ to ‘Have you ever requested information about your tax situation?’ or ‘Have you ever requested general information about the tax system?’ and those who answered ‘never’ to both these two questions.

Contact vs no-contact with ATO

Demographics

Overall those least likely to contact the Tax Office were (a) less educated; (b) in lower skilled occupational groups; (c) unmarried; and (d) women.

Table 1 – Significant demographic differences between those in contact with Tax Office and those not

Items	Category	Contact in CHFAS and ATSFS N = 325	No contact in CHFAS or ATSFS N = 584	Chi-Square (χ^2)
Sex	Male	40%	60%	6.95*
	Female	32%	68%	
Occupation	Professionals/Managers	46%	54%	16.46**
	Trade/Clerical	33%	67%	
	Labour/Elem. Clerical	25%	75%	
Education	Year 10	25%	75%	48.90**
	Year12	24%	76%	
	Trade,Nursing	45%	55%	
	Diploma	46%	54%	
	University	47%	53%	
Marital status	PostGraduate	53%	47%	7.19*
	Not married	29%	71%	
	Married	38%	62%	

* $p < .01$

** $p < .001$

Views about governance (general)

High contact taxpayers seem less satisfied with government but their opposition does not seem to be based in free market ideology. They seem to be dissatisfied with the priorities of the current government.

Table 2 – Significant differences on views about governance between those in contact with Tax Office and those not

Scale	High contact group is....	Contact	Mean	N	T value
Satisfaction with democracy (CHFAS)	Lower	No contact	3.34	565	3.12*
		Contact	3.19	317	
Support for small govt./free markets democracy (CHFAS)	Lower	No contact	3.17	560	2.71*
		Contact	3.01	317	
Preference on security institutions expenditure (CHFAS)	Lower	No contact	3.78	578	3.61**
		Contact	3.60	325	
Satisfaction with the way the government spends taxpayers' money (CHFAS)	Lower	No contact	2.56	572	-2.93*
		Contact	2.35	321	
Satisfaction with the way the government spends taxpayers' money (ATSFS)	Lower	No contact	2.75	544	-2.65*
		Contact	2.55	316	

* $p < .01$ ** $p < .001$

Compliance and compliance management

Those who have more contact with the tax office are more likely to be involved in working for cash in hand or paying others for cash in hand work. They are also more likely to be involved in cautious minimising of their tax. These results may reflect eagerness on the part of taxpayers to gain information from the ATO or be the result of an enquiry by the ATO concerning the survey respondent's compliance record.

Table 3 – Significant differences in responses to compliance and compliance management issues for those in contact with Tax Office and those not

Items	Category	Contact at CHFAS and ATSFs N = 325	No contact in CHFAS or ATSFs N = 584	Chi-Square (χ^2)
Did you work for cash in hand in the last 12 months? (ATSFs)	Yes	9%	4%	9.23*
	No	91%	96%	
Have you paid cash in hand for work in the last 12 months? (ATSFs)	Yes	22%	13%	12.88**
	No	78%	87%	
Involvement in cautious tax minimisation strategies e.g. – superannuation planning, negative gearing etc. (ATSFs)	Yes	45%	32%	13.34**
	No	55%	68%	

* $p < .01$ ** $p < .001$

Tax Office demands and dealings

The high contact group reports more conflict with the ATO involving either themselves or someone close to them. Conflict is defined broadly as “receiving an audit by the ATO”, “contesting an assessment given by the ATO” or “being fined or penalised by the ATO”.

The contact group have a higher percentage of people who should file a tax return. This is not surprising. What is surprising is that a significant proportion of contacts (11%) involve people who do not have to file a tax return. This raises questions about the clarity of the rules regarding lodgement.

The high contacts also claim to be paying more than their fair share of tax and express more confidence that the Tax Office will take action against ordinary taxpayers.

Table 4 – Significant differences in responses to Tax office demands for those in contact with Tax Office and those not

Items	Category	Contact at CHFAS and ATSFS N = 325	No contact in CHFAS or ATSFS N = 584	Chi- Square (χ^2)
Should have lodged tax return in 98-99 vs should not have lodged (CHFAS)	Should	89%	80%	10.50**
	Should not	11%	20%	
Should have lodged in 99-00 vs should not have lodged (ATSFS)	Should	88%	80%	8.87*
	Should not	12%	20%	

* $p < .01$ ** $p < .001$

Table 5 – Significant differences on views about Tax Office demands and dealings between those in contact with Tax Office and those not

Scale	High contact group is....	Contact	Mean	N	T value
Conflict between respondent and the Tax Office (CHFAS)	Higher	No contact	-0.14	584	-6.79**
		Contact	0.18	325	
Conflict between someone close to respondent and the Tax Office (CHFAS)	Higher	No contact	-0.15	577	-5.94**
		Contact	0.23	315	
Paying more than my fair share (ATSFS)	Higher	No contact	3.18	548	2.61*
		Contact	3.41	319	
The Tax Office can't do much if an ordinary salary & wage earner decides to defy it (CHFAS)	Lower	No contact	1.80	572	2.78*
		Contact	1.66	325	

* $p < .01$ ** $p < .001$

Procedural justice principles

Those in regular contact express greater reservations about the ATO's adherence to principles of procedural justice. They are less likely to feel that the ATO has respect for them and finds them trustworthy. Furthermore, they are less likely to believe that the ATO connects widely with the Australian community or gets the information it needs to make informed decisions and be honest in its dealings with citizens.

Table 6 - Significant differences on views about principles of procedural justice between those in contact with Tax Office and those not

Scale	High contact group is....	Contact	Mean	N	T value
Neutrality – the ATO treats all Australians the same (CHFAS)	Lower	No contact	3.35	573	2.90*
		Contact	3.22	323	
Respect– the ATO respects taxpayers (CHFAS)	Lower	No contact	3.36	564	3.06*
		Contact	3.20	317	
Respect– the ATO respects taxpayers (ATSFS)	Lower	No contact	3.40	572	3.72**
		Contact	3.20	316	
The ATO treats taxpayers as if they are trustworthy (CHFAS)	Lower	No contact	3.31	567	2.54*
		Contact	3.18	320	
The ATO treats taxpayers as if they are trustworthy (ATSFS)	Lower	No contact	3.28	572	3.19*
		Contact	3.10	316	
Consultation – the ATO consults with the community about change (CHFAS)	Lower	No contact	2.77	575	2.93*
		Contact	2.63	323	
Consultation – the ATO consults with the community about change (ATSFS)	Lower	No contact	2.73	576	3.12*
		Contact	2.58	318	

* $p < .01$

** $p < .001$

Motivational postures & sources of influence

The high contact group seems to sit on the fence between being in the system and out of it. They are lower on capture which means they are not particularly co-operative. But then they are also lower on disengagement meaning they have not cut themselves off completely. Those who have most contact are most likely to have ties to an industry association or an occupational or business group.

Table 7 - Significant differences on motivational postures and sources of influence between those in contact with Tax Office and those not

Scale	High contact group is....	Contact	Mean	N	T value
Capitulation or capture – taxpayer accepts system (CHFAS)	Lower	No contact	3.46	576	3.00*
		Contact	3.36	324	
Capitulation or capture – taxpayer accepts system (ATSFS)	Lower	No contact	3.45	576	2.78*
		Contact	3.34	318	
Disengagement – taxpayer places a barrier between self and system (CHFAS)	Lower	No contact	2.29	571	2.96*
		Contact	2.19	322	
Industry/business group identification – identify with one’s industry association/occupation (CHFAS)	Higher	No contact	4.98	523	-2.94*
		Contact	5.28	307	

* $p < .01$

** $p < .001$

Conclusion

These analyses suggest that those who contact the ATO on a regular basis (that is, were doing so in 2000 (CHFAS) and 18 months later (ATSFS)) differ from those who make no contact on some important dimensions. They are more questioning of the procedural justice applied by the ATO and are less satisfied with government generally. They are more likely to minimise their tax and engage in the cash economy. They are not dismissive of the power of the ATO and are more likely to be in conflict with this authority. Demographically those who contact the ATO come from the more privileged social groups. On average they are better educated and come from highly skilled occupational groups. They are also more likely to be married and to be male.