

## **Centre for Tax System Integrity - Research Note 3**

### **Social distance and geographical location: Management issues for a tax authority**

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This research note investigates the question of whether taxpayers are more socially distant from the Tax Office in some states than in others. The greater the social distance, the less likely it is that a tax authority will be able to persuade taxpayers to behave in certain ways, the less likely it is that taxpayers will effectively self-regulate their own behaviour, and the less likely it is that taxpayers will fear sanctions imposed by the Tax Office. Social distance is therefore a useful concept for tax authorities to understand.

Motivational postures are composites of attitudes, beliefs, interests, and preferences that represent the social distance individuals wish to place between themselves and the authority. Motivational postures signal openly to the authority and to others how regulatees feel about the regulatory system, whether they believe it is worthwhile or not, whether regulatees feel comfortable with the authority and if they are predisposed to do what the authority wants. Five motivational postures have been identified, not as fixed, static and mutually exclusive orientations but as options that come into play as the situation allows. They are commitment (the notion that contributing to the tax system is the right thing to do and benefits all); capitulation (the notion that the authority will treat taxpayers the right way as long as they do what is required); resistance (the notion that the tax authority is out to get taxpayers and can never be satisfied); disengagement (the notion that the authority can't do anything to the taxpayer to cause a sleepless night); and game playing (the notion that the tax authority and taxpayers each play for the grey in tax law and enjoy it).

Multi-item scales have been developed to measure these five postures (Braithwaite, 2003) (see Table 1 for sample items). When scores on these five scales of commitment, capitulation, resistance, disengagement, and game playing are intercorrelated and factor analysed, two separate dimensions emerge. The first dimension is bipolar with one end defined by commitment to the tax system and capitulation to the tax authority, while the other end is defined by resistance. This first factor is called cooperation-resistance meaning the degree to which the individual is prepared to support the tax system and submit to its authority. The second dimension represents the degree to which the Tax Office is seen as having the status of an authority, that is, having the right to direct the behaviour of the taxpayer (dissociation).

The motivational postures are described in Table 1 below.

*Table 1 Posture Description and Sample Item*

Posture	Description	Sample Item
Commitment	Belief in the tax system as a means of securing the common good	'I accept responsibility for paying my fair share of tax'
Capitulation	An acceptance of the Tax Office as a legitimate authority	'No matter how cooperative or uncooperative the Tax Office is, the best policy is to always be cooperative with them'
Resistance	Attributing negative and harmful intentions to the Tax Office – they are out 'to get' the taxpayer	'It's important not to let the Tax Office push you around'
Disengagement	A widespread disenchantment with the system whereby individuals have 'given up' on the Tax Office and tax system	'I don't care if I am not doing the right thing by the Tax Office'
Game playing	Perception of the Tax Office as a partner in playing and finding ways to use the law to one's own advantage	'The Tax Office respects taxpayers who can give them a run for their money'

Each motivational posture is based upon responses to a five item scale of 1 - Strongly disagree, 2 - Disagree, 3 - Neither, 4 - Agree and 5 - Strongly agree. Consequently the postures can be represented as either percentages of those who support the posture the majority of the time (respondents whose composite survey answers to the posture were Agree or Strongly Agree) or mean scores. While the percentage responses are intuitively easier to understand they are not as statistically strong as the mean scores. Both percentages (Tables 2 and 3) and means (Tables 4 and 5) have been included below.

When the posture percentages were compared across states significant differences were found in Capitulation (2000), Commitment (2002) and Resistance (2002) (Tables 2 and 3). Given that these Chi-square comparisons of percentages are not considered as robust as means these findings were not deemed clear-cut and means were referred to. Virtually no significant differences emerged in the posture means (see Tables 4 and 5). The only differences were found for capitulation in 2000. The states that were lowest on capitulation means were Northern Territory, Western Australia and Victoria.

*Table 2 Posture percentages by state (Postures measured in 2000) for those who support each posture strongly or most of the time*

	States							
Posture	NSW	VIC	QLD	SA	WA	TAS	NT	Chi-square
Commitment	92%	94%	89%	91%	93%	89%	93%	NS
Capitulation	76%	70%	73%	82%	69%	81%	61%	17.4**
Resistance	55%	53%	59%	57%	53%	44%	62%	NS
Disengagement	7%	7%	7%	3%	7%	8%	4%	NS
Game playing	14%	14%	14%	11%	14%	13%	13%	NS
Cooperation - resistance	84%	83%	78%	87%	81%	86%	79%	NS
Disassociation	6%	7%	8%	6%	6%	6%	2%	NS

\*\*  $p < .01$

*Table 3 Posture percentages by state (Postures measured in 2002) for those who support each posture strongly or most of the time*

	States							
Posture	NSW	VIC	QLD	SA	WA	TAS	NT	Chi-square
Commitment	95%	98%	94%	97%	95%	97%	80%	19.8**
Capitulation	73%	75%	74%	82%	63%	79%	76%	NS
Resistance	58%	48%	54%	48%	51%	61%	24%	17.1**
Disengagement	6%	8%	7%	5%	8%	9%	4%	NS
Game playing	11%	9%	8%	10%	5%	15%	8%	NS
Cooperation - resistance	87%	85%	85%	89%	77%	94%	76%	NS
Disassociation	5%	7%	6%	8%	6%	12%	4%	NS

\*\*  $p < .01$

*Table 4 Posture means by state (Postures measured in 2000)*

	States						
Posture	NSW	VIC	QLD	SA	WA	TAS	NT
Commitment	3.87	3.88	3.82	3.79	3.87	3.85	3.89
Capitulation	3.42	3.37	3.41	3.50	3.37	3.53	3.30*
Resistance	3.17	3.17	3.22	3.18	3.20	3.06	3.16
Disengagement	2.31	2.31	2.33	2.37	2.30	2.23	2.18
Game playing	2.44	2.42	2.47	2.45	2.33	2.44	2.39
Cooperation - resistance	3.37	3.36	3.34	3.37	3.34	3.44	3.35
Disassociation	2.38	2.36	2.41	2.41	2.32	2.34	2.28

\*  $p < .05$

*Table 5 Posture means by state (Postures measured in 2002)*

	States						
Posture	NSW	VIC	QLD	SA	WA	TAS	NT
Commitment	3.99	3.98	3.96	3.91	3.93	4.05	3.81
Capitulation	3.39	3.41	3.42	3.53	3.30	3.51	3.42
Resistance	3.18	3.12	3.16	3.10	3.19	3.11	2.97
Disengagement	2.26	2.31	2.29	2.27	2.27	2.17	2.16
Game playing	2.33	2.27	2.30	2.32	2.29	2.51	2.30
Cooperation - resistance	3.40	3.42	3.41	3.44	3.35	3.48	3.42
Disassociation	2.29	2.29	2.30	2.29	2.28	2.34	2.23

## Are there other regional differences?

While the approach of ATO Offices in each state do not vary in terms of the social distance that exists between themselves and their taxpayers, differences emerged between rural and urban taxpayers within states. These findings are consistent with our understanding of motivational postures. While each of us may have a comfort zone regarding our preferred motivational posture, activities by the Tax Office - particularly field activities - should nudge us out of our comfort zone. It is difficult to imagine an ATO Office embarking on activities that affect all taxpayers in a state in a way that is distinctly different from the way another state's ATO Office is engaging with their taxpayers. It is conceivable, however, that groups of taxpayers within a state are targeted for intervention of some kind. We have no information on the interventions that may have taken place with rural taxpayers in different states in 2000 and 2002, but the pattern of results is consistent with the hypothesis that interventions of some kind were occurring. These interventions, of course, may not have involved the Tax Office directly. The Tax Office may have borne the brunt of dissatisfaction with other aspects of government policy. The tables below show that within several states, motivational postures differ at the two time periods for rural and urban respondents. There were no significant differences found between rural and urban respondents in Tasmania, South Australia and the Northern Territory.

*Table 6 Mean scores and significant differences on motivational postures for two groups defined as urban and rural for the year 2000 and 2002 for New South Wales*

State	Year 2000			Year 2002		
NSW	Group		T-value	Group		T-value
	Urban	Rural		Urban	Rural	
Commitment	3.90	3.77	2.62**	-	-	-
Disengagement	2.28	2.38	-2.03*	-	-	-

\* p < .05    \*\* p < .01

*Table 7 Mean scores and significant differences on motivational postures for two groups defined as urban and rural for the year 2000 and 2002 for Victoria*

State	Year 2000			Year 2002		
VIC	Group		T-value	Group		T-value
	Urban	Rural		Urban	Rural	
Commitment	-	-	-	4.02	3.88	2.19*
Disengagement	-	-	-	2.26	2.42	-2.21*

\* p < .05    \*\* p < .01

*Table 8 Mean scores and significant differences on motivational postures for two groups defined as urban and rural for the year 2000 and 2002 for Queensland*

State	Year 2000			Year 2002		
QLD	Group		T-value	Group		T-value
	Urban	Rural		Urban	Rural	
Commitment	3.87	3.74	2.15*	-	-	-
Resistance	3.15	3.33	-2.86**	-	-	-
Disengagement	2.27	2.42	-2.74**	-	-	-
Game playing	-	-	-	2.21	2.42	-2.61**

\* p < .05    \*\* p < .01

*Table 9 Mean scores and significant differences on motivational postures for two groups defined as urban and rural for the year 2000 and 2002 for Western Australia*

State	Year 2000			Year 2002		
WA	Group		T-value	Group		T-value
	Urban	Rural		Urban	Rural	
Capitulation	3.30	3.52	-2.40*	-	-	-

\* p < .05    \*\* p < .01

## Summary

In summary, there were no significant differences between states in social distance from the ATO. There was, at different survey times (2000 and 2002), some differences between rural and urban taxpayers within states; however these data do not allow us to speculate on the reason for the differences.