

**PRINCIPLES OF PROCEDURAL FAIRNESS
IN REMINDER LETTERS AND
AWARENESS OF ENTITLEMENTS:
A PRESTUDY**

Michael Wenzel



The Australian National University
Australian Taxation Office

Centre for Tax System Integrity



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Michael Wenzel

SERIES EDITOR

Tina Murphy

Centre for Tax System Integrity
Research School of Social Sciences
Australian National University
Canberra, ACT, 0200

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Series Editor:
Tina Murphy

Abstract

Reminder letters by tax authorities are typically to the point and brisk, if not threatening. While appropriate from a deterrence-based regulatory approach, they may lack qualities conducive to a regulatory approach based on a more cooperative relationship between tax authorities and taxpayers. In particular, they may be considered to violate principles of procedural justice. In an experimental questionnaire study with a student sample, reactions to two alternative reminder letters, designed to incorporate principles of informational justice and interpersonal justice respectively, were compared to the standard letter. Furthermore, the effects of the letters were tested when three different rights (informational, interpersonal, conciseness), as granted in the *Taxpayers' Charter*, were made salient. It was predicted that respondents would regard a letter as fairer when the salient right was matched in the letter than when it was not. This prediction was confirmed for the two letters that incorporated justice principles. Furthermore, overall the interpersonal letter was regarded most fair; and making respondents aware of the interpersonal right increased their perceptions of fairness. However, while perceived fairness was related to hypothetical compliance, the experimental factors had no influence on compliance. There was only correlational evidence that perceived letter qualities were related to compliance; for interpersonal justice, this relationship was fully mediated by perceived justice.

Principles of procedural fairness in reminder letters and awareness of entitlements: A prestudy

Michael Wenzel

Introduction

Reminder letters are probably the most frequently and broadly applied measure that government authorities use to gain compliance from clients who have failed to be compliant. In fact, there are good reasons to use such an approach. Letters are relatively cheap; the letter messages can be prepared, quality-checked and standardised; and the sending out of the letters can be automated. As the downside of standardisation, reminder letters are often regarded as formal, unfriendly and unsympathetic. In general, however, government authorities do not seem to be concerned about these issues and, in fact, seem to regard a short, brisk and authoritarian message as effective communication. The underlying reason appears to be their widespread adoption of a deterrence model of enforcement and regulation.

However, there are alternative views on regulation and the basis of compliance, supported by empirical research. For instance, there is evidence that people who feel treated *fairly* by an authority are more inclined to accept its decisions and follow its directions (see Lind & Tyler, 1988). In fact, Tyler and Lind (1992) argue that people who feel treated fairly by their representatives and authorities regard their leadership and authority status as more legitimate. Perceiving them as legitimate authorities, people are generally more likely to follow and accept their decision, regardless of the favourability of the decision outcome. These findings are in line with a model of regulation (Braithwaite & Braithwaite, 2000) that builds on cooperative relationships between regulators and regulatees as the basis of a more differentiated regulatory approach. The Australian Taxation Office (Tax Office) has adopted this model as its official policy. The present research constitutes a first test of the role of procedural fairness in reminder letters as one option for moving towards a more cooperative regulatory approach.

With the introduction of tax reform in Australia, businesses are required to lodge a quarterly (or monthly, depending on turnover) Business Activity Statement (BAS) to report their tax obligations and entitlements to the Tax Office. The BAS is a single form that replaces a number of contacts with the Tax Office required under the old system. This means it is important for taxpayers to lodge their statements on time. When a lodgment deadline is

missed, the Tax Office first contacts non-lodgers with a reminder letter. These letters are rather straightforward and refer to penalties in a conventional deterrence manner. The present research tries to develop and test reminder letters that aim at maintaining or increasing taxpayers' willingness to cooperate, based on insights in the area of procedural justice.

From the procedural justice literature we know that Tyler (1989, 1994) regards neutrality and respect as two essential aspects of procedural treatment. Neutrality refers to unbiased treatment, sufficient collection of information, balanced consultation of opinions and transparency of decision. Respect refers to maintenance of one's dignity and recognition of one's status within the community. Greenberg (1993a) discusses a related distinction between informational and interpersonal justice (even though he considers only the former as a social version of procedural justice but the latter as a social version of distributive justice). Informational justice refers to the provision of information about procedures and (genuine and sound) explanations for decisions. Interpersonal justice refers to concerns for individuals and their plight, to sensitivity, politeness and respect. Greenberg (1993a, 1993b) reports additive effects of both justice aspects on perceptions of fairness and decision acceptance.

In a more recent paper, Heuer, Bumenthal, Douglas and Weinblatt (1999) argued that perceptions of entitlement moderate the link between respectful treatment and perceived fairness. When respect is perceived to be deserved, respectful treatment will be considered fair; when respect is perceived to be undeserved, respectful treatment will be considered less fair. By extrapolation, we could argue that only the provision of information and explanations perceived to be deserved should contribute to perceptions of fairness. More generally, like distributive justice, procedural justice implies a notion of deservingness or entitlement; only where entitlements are met is procedural treatment considered to be fair (Wenzel, 2000). Importantly, the concept of entitlement implies that people's views about the procedural treatment they deserve vary from situation to situation. Therefore, if we want people to feel treated fairly, we should make sure they feel entitled to the procedural principles realised in their treatment.

Based on these arguments, we would predict that people would perceive reminder letters that incorporate principles of either informational or interpersonal justice to be fairer than the standard letter the Tax Office uses; and, correspondingly, they would comply with the former to a greater degree. Moreover, this should be particularly true under conditions where

people's entitlement to the aspect of procedural treatment realised in the letter (informational or interpersonal) is made salient. However, one might argue that, regarding reminder letters, people are less concerned about procedural justice and prefer conciseness, straightforwardness and efficiency, so that dealings with the Tax Office cost them as few resources as possible. Conciseness would seem to be better realised in the standard Tax Office letter than in more lengthy letters providing explanations or expressing respect. Thus, in fact, the standard letter might be considered fairer than the informational and interpersonal letters, again in particular when a corresponding entitlement to conciseness is salient.

The present research constitutes a prestudy of these considerations, using a convenience sample of economics students. The aims of the study were threefold. First, the study aimed to establish that informational, interpersonal and control letters differ with regard to the three dimensions of informational justice, interpersonal justice and conciseness. Second, we tested the impact of letter messages in interaction with salience of entitlements on perceived fairness and (hypothetical) compliance. Third, we explored relations between compliance and the different elements of perceived fairness. The findings of the study could be the basis for adopting these ideas in a larger field-experiment under real-life conditions.

Study

The study used an experimental questionnaire methodology. First, respondents were made aware of the *Taxpayers' Charter* that was introduced in Australia in 1997 and asked about the importance of one of three rights specified in the Charter. These rights were meant to correspond to the principles of informational justice, interpersonal justice and conciseness respectively. Thus this first step should make one of these three rights salient. Second, respondents were asked to imagine they owned a small business and had not lodged their BAS on time, so they received a reminder letter. Respondents then read one of three reminder letters: the informational, interpersonal or standard letter (control). Third, respondents answered a number of questions concerning their perception of and hypothetical reaction to the letter.

Method

Participants and design

Of 205 first-year and third-year economics students who were asked to participate in the study and returned a questionnaire, 6 participants provided obviously undifferentiated responses and were excluded from analyses (for example, they ticked the scale mid-point over a series of questions). The remaining 199 respondents were aged between 18 and 38 years ($M = 21$); 90 were female and 101 were male (8 respondents did not indicate their sex). Participants were randomly allocated to one of nine conditions of a 3x3 design including the factors Letter (informational, interpersonal, control) and Right (informational, interpersonal, conciseness).

Independent variables

The factor *Right* was manipulated in the first part of the questionnaire by referring to the *Taxpayers' Charter* and asking questions about one of three rights spelt out in the Charter. 'You have a right to have Tax Office decisions about your tax affairs explained to you' (informational right). 'You have a right to be treated by the Tax Office with courtesy, consideration and respect' (interpersonal right). 'You can expect the Tax Office to help you minimise your costs in complying with the tax laws' (conciseness right). The questions were ratings for the importance of the given right and the priority the Tax Office should give to it. The questions were only meant to focus respondents' attention on the specific right and will not be regarded further in the present paper. After reading the reminder letter, the same right was recalled again.

The factor *Letter* was manipulated in the second part of the questionnaire when respondents were asked to imagine they owned a small business, had not lodged their BAS on time and thus received a reminder letter from the Tax Office. The letter actually used by the Tax Office was the *control* letter. It had also been the reference point for the formulation of the two 'treatment' letters, in that the same information as given in the standard letter was also included in the other two letters. However, in addition the *informational* letter provided explanations concerning three issues. 'Why are we sending you this letter?' informed about the Tax Office's task of collecting revenue, which would be used to fund community services. 'Why can't we provide more assistance in this letter?' explained the general style of the letter

and that further information would be required to give more specific help. 'Why do we impose penalties?' explained the necessity of a penalty system for the greater goal of the integrity of the tax system. The *interpersonal* letter again provided the same basic information as the standard letter, but also addressed three further issues. 'We believe in your honesty' assured that this letter did not mean the Tax Office suspected the taxpayer of being deliberately dishonest. 'We acknowledge that times can be difficult' expressed understanding for the possibility that situational constraints were responsible for non-lodgment. 'We would regret causing any stress or strain' expressed sympathy for the negative consequences that threat and imposition of penalties might have. The complete wording of the letters is given in the appendix.

Dependent variables

First, respondents were asked what their reaction to the letter would be. One single item measured the *perceived fairness* of the letter: 'Would you feel treated fairly?' Three items measured *hypothetical compliance* with the letter ($\alpha = .73$): 'Would you be willing to comply with the letter?' 'Would you feel tempted to defy the Tax Office?' (reverse-coded) 'Would you feel encouraged to lodge immediately?' (all on a scale from 1 = not at all, to 7 = very much). Scale scores were obtained by averaging responses across items.

Second, as a check of whether the letters realised the respective qualities of informational justice, interpersonal justice and conciseness, respondents were asked to describe the letter on a number of statements (1 = disagree, 7 = agree). *Informational justice* was measured by three items ($\alpha = .75$): 'The letter tries to justify the actions taken.' 'The letter is open about the reasons of conduct.' 'The letter provides accounts for the procedures.' *Interpersonal justice* was measured by four items ($\alpha = .82$): 'The letter shows consideration for the circumstances I could be in.' 'The letter expresses regret for possible negative effects on me.' 'The letter is very polite.' 'The letter emphasises good-will.' *Conciseness* was measured by three items ($\alpha = .67$): 'The letter is long-winded' (reverse-coded). 'The letter is plain and comprehensible.' 'The letter is to the point.'

Third, the general attitude towards the Tax Office was measured by one item: 'More generally, what is your opinion about the Australian Taxation Office?' (1 = very negative, 7 = very positive).

Results

Letter qualities

A factor analysis with Varimax rotation over all 10 statements describing the quality of the letters yielded a three-factor solution (explaining 68% of the variance) that confirmed the expected factor structure. All items had a factor loading of more than .6 on their designated factors, which we therefore may call informational justice (22% explained variance), interpersonal justice (28% explained variance) and conciseness (18% explained variance). The factor analysis thus corroborates the theoretical distinction of the three dimensions and the psychological validity of the three *Letter Qualities*. For each factor, responses were averaged across respective items to obtain scale scores.

These scales were used to test whether the three letters differed in the intended ways. An analysis of variance with the factors Letter, Right and Letter Quality (within subjects) yielded a significant main effect of Right, $F(2, 188) = 3.47, p = .033$. This indicates that a letter was perceived to realise the three qualities to a greater degree when the interpersonal right was made salient ($M = 4.76$) than when the informational right was made salient ($M = 4.34$). When conciseness was salient, the ratings were in-between ($M = 4.54$). Moreover, there were significant main effects of Letter, $F(2, 188) = 3.79, p = .024$, and Letter Quality, $F(2, 376) = 11.32, p < .001$, which were however significantly moderated by the crucial interaction of Letter and Letter Quality, $F(4, 376) = 27.19, p < .001$. The complexity of the interaction results (see Table 1) can be best reduced by focusing on theoretically relevant pairwise comparisons (given directional hypotheses, significance tests are one-sided). First, respondents indicated that the informational letter was more informational than the control letter, $t(130) = 3.90, p < .001$, but not more informational than the interpersonal letter, $t(133) = -.50, ns$. Second, respondents indicated that the interpersonal letter was more interpersonal than the control letter, $t(126) = 5.58, p < .001$, as well as the informational letter, $t(133) = 2.53, p = .006$. Third, the control letter was considered to be more concise than the informational letter, $t(131) = 4.27, p < .001$, as well as the interpersonal letter, $t(126) = 4.46, p < .001$. Thus the three letters differed from each other in expected ways, with the exception that informational and interpersonal letters did not differ with regard to informational principles.

Table 1: Means and standard deviations (in brackets) of perceived letter qualities for the three reminder letters

Letter	Letter Quality					
	Informational		Interpersonal		Conciseness	
Informational	4.79	(1.28)	4.37	(1.29)	4.48	(1.35)
Interpersonal	4.90	(1.30)	4.94	(1.32)	4.50	(1.20)
Control	3.98	(1.07)	3.67	(1.21)	5.35	(0.94)

Perceived fairness

It was predicted that Letter and Right would interact in their effects on perceived fairness, with fairness being highest when the procedural principle realised in the letter matched the right that was made salient. An analysis of variance with the factors Letter and Right yielded main effects of Letter, $F(2, 190) = 3.83$, $p = .023$, and Right, $F(2, 190) = 4.79$, $p = .009$. The predicted two-way interaction was marginally significant, $F(4, 190) = 2.27$, $p = .063$ (see Table 2). Again, given our specific prediction, we can focus on relevant pairwise comparisons (one-sided tests). First, when the informational right was made salient, the informational letter was not regarded fairer than the interpersonal letter, $t(47) = 1.23$, *ns*, but significantly fairer than the control letter, $t(47) = 1.86$, $p = .033$. Second, when the interpersonal right was made salient, the interpersonal letter was perceived to be significantly fairer than the informational letter, $t(43) = 1.72$, $p = .047$, but not significantly fairer than the control letter, $t(43) = 1.25$, *ns*. Third, when the conciseness right was made salient, the control letter was nonetheless perceived to be significantly less fair than the informational letter, $t(37) = 1.90$, $p = .032$, as well as the interpersonal letter, $t(38) = 3.53$, $p < .001$.

Table 2: Means and standard deviations (in brackets) of perceived fairness as a function of Letter and salient Right

Letter	Right					
	Informational		Interpersonal		Conciseness	
Informational	4.63	(1.45)	4.57	(1.70)	4.45	(1.64)
Interpersonal	4.05	(1.89)	5.41	(1.59)	5.05	(1.43)
Control	3.82	(1.56)	4.87	(1.29)	3.58	(1.17)

Alternatively, we can apply an even more focused contrast analysis (one-sided tests). For the informational right condition, the contrast testing the informational letter against the other two letters (2, -1, -1) was significant, $t(68) = 1.75$, $p = .042$. For the interpersonal right condition, the contrast testing the interpersonal letter against the other two letters (-1, 2, -1) was significant, $t(65) = 1.74$, $p = .044$. For the conciseness right condition, the contrast testing the control letter against the other two letters (-1, -1, 2) was significant, $t(57) = -2.95$, $p = .002$. Thus in the informational and interpersonal right conditions there was empirical support for the theoretical predictions; however, the effect in the conciseness right condition was reversed.

It should be also noted that main effects overlay the interaction effect and thus complicated the picture. The interpersonal letter was overall regarded as significantly fairer ($\bar{M} = 4.83$) than the control letter ($\bar{M} = 4.13$); the fairness judgement for the informational letter was in-between ($\bar{M} = 4.56$). Likewise, the fairness ratings were higher when the interpersonal right was made salient ($\bar{M} = 4.94$) than when the informational right was made salient ($\bar{M} = 4.20$); ratings for the control letter were in-between ($\bar{M} = 4.38$).

Hypothetical compliance

To test whether there were corresponding effects of our experimental factors on hypothetical compliance, an equivalent analysis of variance with the factors Letter and Right was performed. There were no significant main or interaction effects, $F_s < 1$. Also, none of the specific contrast approached significance.

Table 3: Correlations between perceived letter qualities, general attitude, perceived fairness and hypothetical compliance

	Inform. Q.	Interp. Q.	Conciseness	General Att.	Fairness
Interp. quality	.58***				
Conciseness	.25***	.21**			
General attitude	.28***	.33***	.29***		
Fairness	.51***	.64***	.30***	.46***	
Hyp. compliance	.49***	.43***	.39***	.46***	.57***

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

We further explored the correlational relationships between compliance, fairness and letter qualities. As shown in Table 3, informational and interpersonal justice were substantially correlated with each other, but each only moderately correlated with conciseness. There was also a substantial correlation between perceived fairness and hypothetical compliance. A regression of hypothetical compliance on the three letter qualities yielded significant effects for each quality (see Table 4, step 1). However, these relationships might be due to a third factor that influenced both perception of letter qualities and hypothetical compliance. To control for at least one possible third factor, one's general attitude towards the Tax Office was introduced as a further predictor in the second step of a hierarchical regression analysis (see Table 4, step 2). The inclusion of general attitude contributed significantly to the variance explained, $F_{\text{change}}(1, 187) = 19.47$, $p < .001$. The relationships between compliance and letter qualities, however, were only slightly smaller than in step 1 and still significant. Finally, fairness entered as another predictor in step 3 of the regression analysis explained additional variance, $F_{\text{change}} = 25.79$, $p < .001$. Moreover, the effect of interpersonal justice disappeared from step 1 to step 2 when fairness was introduced, while the effects of the other letter qualities remained. Thus of all three letter qualities, interpersonal justice was most closely linked to perceptions of fairness; and its relation to compliance was fully mediated by its impact on perceptions of fairness. The other two letter qualities, informational justice and conciseness, seemed to be related to compliance beyond, and partly independent from, their effects on perceived fairness.

Table 4: Hierarchical regression of compliance on perceived letter qualities, general attitude and perceived fairness

	Step 1		Step 2		Step 3	
<u>R</u> ²	.34		.41		.46	
<u>F</u> change (<u>df</u> s)	32.71 (3, 188)		19.47 (1, 187)		17.40 (1, 186)	
Sig. <u>F</u> change	.000		.000		.000	
	β	<u>p</u>	β	<u>p</u>	β	<u>p</u>
Inform. quality	.30	.000	.28	.000	.22	.001
Interp. quality	.21	.005	.14	.049	.00	<u>ns</u>
Conciseness	.27	.000	.21	.001	.18	.002
General attitude			.27	.000	.20	.002
Fairness					.32	.000

Discussion

The present study investigated the hypothesis that reminder letters that realise principles of procedural justice, namely informational and interpersonal justice, would be considered fairer and yield more compliance than a standard reminder letter. The standard letter might have an advantage in terms of conciseness and efficiency, which, however, is normally not considered to be a principle of justice. Furthermore, the realisation of justice principles in reminder letters should lead to more perceived fairness and compliance when respondents have been made aware of their respective entitlements.

First of all, the findings show that qualities of informational justice, interpersonal justice and conciseness can be reliably measured and conceptually distinguished. Next, the letters designed for this study proved to differentially realise these dimensions as intended. The control letter was found more concise than either of the other two letters; the interpersonal letter was more interpersonally just than either of the other letters; the informational letter was more informationally just than the control letter, however, not more informationally just than the interpersonal letter. The reason for the latter result might be that the interpersonal letter, expressing respect and consideration, provided at the same time more information and explanation than is typically the case in standard reminder letters. In fact, it is difficult to imagine how respect and consideration could be expressed without using more words and

providing more information. So, although the design of the letters proved to be successful, we might more appropriately think of them as being hierarchically ordered in terms of justice principles realised: no justice (control) letter, informational letter, informational plus interpersonal letter.

The interactive effects of letters and salient entitlements on fairness ratings largely confirmed the theoretical predictions. For both principles of procedural justice adopted from the justice literature (Greenberg, 1993a), there was the predicted interactive pattern. When entitlement to informational justice was made salient, the informational letter was considered fairer than the other two letters; and when entitlement to interpersonal justice was made salient, the interpersonal letter was considered fairer than the other two letters. However, the equivalent result was not found for a salient entitlement to conciseness that was realised in the control letter; instead, here the control letter was found less fair than the other two letters. It seems that the match between entitlement and its realisation only affects perceived fairness insofar as proper principles of fairness are concerned. Conciseness might not be considered a fairness principle, so that the concept of entitlement should therefore be irrelevant. Overall, there is evidence for the role of entitlement for perceptions of procedural fairness (Heuer et al., 1999; Wenzel, 2000).

In addition to the interaction effect, there were also interesting main effects. Overall, the interpersonal letter tended to be considered fairer than the other letters. Moreover, letters were also considered fairer when the interpersonal right was made salient. That is, on its own, the awareness of having been granted an entitlement to ‘courtesy, consideration and respect’ in the *Taxpayers’ Charter* increased perceptions of fairness. It might be that the Tax Office’s self-imposed obligation to adhere to principles of respectful treatment made respondents more favourable towards the Tax Office and its actions. Or the fact that the Tax Office granted this entitlement might be perceived to imply that it acts accordingly; through selective perception, evidence for this could be found in the given letters. In any case, it is interesting that granting an entitlement to respect and consideration led to more perceived fairness than the other entitlements. In this respect, both main effects are consistent; interpersonal justice seemed to influence respondents’ feelings of fairness more than the other rights and letter qualities did. Further corroborating this interpretation, the correlation between fairness and perceived interpersonal justice was stronger than for the other perceived letter qualities.

While the theoretical predictions held for perceived fairness, the experimental factors did not have any impact on hypothetical compliance. This finding raises doubts about whether the design of reminder letters according to principles of procedural fairness can actually increase tax compliance. The hypothetical nature of the compliance measures, however, does not permit a clear conclusion on this matter. Further research is necessary, using a field-experimental approach, a sample of small business owners and a record of their actual lodgment behaviour. The current prestudy essentially confirmed the underlying theoretical approach and the possibility of designing letters that meet relevant criteria, encouraging a wider application and evaluation of the approach.

In this regard, the correlational evidence was also promising. All letter qualities were significantly related to hypothetical compliance, beyond the impact of one's general attitude towards the Tax Office. The impact of interpersonal quality of the letter on compliance seemed to be fully mediated by perceived fairness. This finding is consistent with our earlier conclusion (from the two main effects on fairness) that *interpersonal justice* seems to be the most important aspect of procedural fairness: (1) granting interpersonal justice in the *Taxpayers' Charter*, (2) realising interpersonal justice principles in reminder letters, and (3) the interaction of both awareness of the entitlement and its realisation, all led respondents to perceive more fairness which, in turn, could increase compliance.

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APPENDIX

Informational letter

Dear Madam/Sir,

REMINDER – Lodgment and Payment of Outstanding Activity Statement(s)

Our records indicate that we have not received your Activity Statement(s) and the associated payment(s), if applicable, for the following period(s):

July to September 2000.

If you have lodged your statement in the meantime and paid any necessary amounts, please disregard this notice.

Why are we sending you this letter?

The Tax Office's task is to collect the revenue correctly payable under the law, which funds community services and support for the people of Australia. The Tax Office has to ensure that everyone meets their obligations under the tax laws so that those who correctly lodge their returns and pay their taxes are not disadvantaged by those who do not. Therefore, we remind you that your Activity Statement(s) is overdue.

Why can't we provide more assistance in this letter?

We do not know the reasons for your failure to lodge. Therefore we cannot give you more specific information in this letter but only remind you of your obligations. However, if you

- are having difficulty in completing the statement or paying any amount due, or
 - believe there is no requirement for you to lodge such a statement,
- please phone xxxxxx immediately.

We advise you that penalties apply for late lodgment of statements and a general interest charge applies to any outstanding amounts. Penalty for late lodgment accrues at \$110 for every four-week period up to a maximum of \$550. In some circumstances larger penalties can apply.

Why do we impose penalties?

For the sake of our society's wellbeing, the integrity of the tax system needs to be maintained. We would prefer to rely solely on people's voluntary compliance with the tax laws. However, a penalty system needs to be in place for cases where a willingness to comply is missing.

Should you have any other enquiries in relation to Activity Statements you can access our Internet site at www.taxreform.ato.gov.au or contact us on xxxxxx.

Yours sincerely,

Interpersonal letter

Dear Madam/Sir,

REMINDER – Lodgment and Payment of Outstanding Activity Statement(s)

Our records indicate that we have not received your Activity Statement(s) and the associated payment(s), if applicable, for the following period(s):

July to September 2000.

If you have lodged your statement in the meantime and paid any necessary amounts, please accept our thanks and disregard this notice.

We believe in your honesty

If you have not lodged, we understand that you may have good reasons for this. We assume that you are trying to deal honestly with your tax affairs. If you

- are having difficulty in completing the statement or paying any amount due, or
 - believe there is no requirement for you to lodge such a statement,
- please phone xxxxxx immediately to discuss your situation with us.

We acknowledge that times can be difficult

We are aware of the fact that taxpayers do not always find it easy to fulfil their tax obligations. Your current individual circumstances, unknown to us, may make it particularly difficult this time. Or you might have simply forgotten. While acknowledging this, it is our task to ensure that everyone meets their obligations under the tax laws. Therefore, we would like to remind you that it is important for you to lodge your Activity Statement(s) on time. Please lodge it as soon as possible.

We would regret causing any stress or strain

Unfortunately, we have to advise you that penalties apply for late lodgment of statements and a general interest charge applies to any outstanding amounts. Penalty for late lodgment accrues at \$110 for every four-week period up to a maximum of \$550. In some circumstances larger penalties can apply.

We are sorry if the threat of penalties further exacerbates any stress in your current situation, but we trust that you will understand the necessity of such a penalty system.

Should you have any other enquiries in relation to Activity Statements you can access our Internet site at www.taxreform.ato.gov.au or contact us on xxxxxx. We would be glad to provide you with any further information that you may require.

Yours sincerely,

Control letter

Dear Madam/Sir,

REMINDER – Lodgment and Payment of Outstanding Activity Statement(s)

Our records indicate that we have not received your Activity Statement(s) and the associated payment(s), if applicable, for the following period(s):

July to September 2000.

If you have lodged your statement in the meantime and paid any necessary amounts, please disregard this notice.

If you

- are having difficulty in completing the statement or paying any amount due, or
 - believe there is no requirement for you to lodge such a statement,
- please phone xxxxxx immediately.

Your Activity Statement(s) is overdue and should be lodged immediately. Penalties apply for late lodgment of statements and a general interest charge applies to any outstanding amounts. Penalty for late lodgment accrues at \$110 for every four-week period up to a maximum of \$550. In some circumstances larger penalties can apply.

Should you have any other enquiries in relation to Activity Statements you can access our Internet site at www.taxreform.ato.gov.au or contact us on xxxxxx.

Yours sincerely,

THE CENTRE FOR TAX SYSTEM INTEGRITY
WORKING PAPERS

- No. 1. Braithwaite, V. & Reinhart, M. *The Taxpayers' Charter: Does the Australian Taxation Office comply and who benefits?* Dec. 2000.
- No. 2. Braithwaite, V. *The Community Hopes, Fears and Actions Survey: Goals and Measures.* March 2001.
- No. 3. Braithwaite, V., Reinhart, M., Mearns, M. & Graham, R. *Preliminary findings from the Community Hopes, Fears and Actions Survey.* April 2001.
- No. 4. Mearns, M., & Braithwaite, V. *The Community Hopes, Fears and Actions Survey: Survey method, sample representativeness and data quality.* April 2001.
- No. 5. Sakurai, Y., & Braithwaite, V. *Taxpayers' perceptions of the ideal tax adviser: Playing safe or saving dollars?* May 2001.
- No. 6. Wenzel, M. *The impact of outcome orientation and justice concerns on tax compliance: The role of taxpayers' identity.* June 2001.
- No. 7. Wenzel, M. *Misperceptions of social norms about tax compliance (1): A prestudy.* June 2001.
- No. 8. Wenzel, M. *Misperceptions of social norms about tax compliance (2): A field-experiment.* June 2001.
- No. 9. Taylor, N. *Taxpayers who complain about paying tax: What differentiates those who complain from those who don't?* June 2001.
- No. 10. Wenzel, M. *Principles of procedural fairness in reminder letters and awareness of entitlements: A prestudy.* June 2001.