

Abstract

Prosecution in the court is one of the Australian Taxation Office's (Tax Office's) last resort enforcement procedures for the small numbers of taxpayers who fail to lodge a tax return. The Tax Office has generally assumed that prosecution will obtain lodgment of the return being sought and, via deterrence, improve longer-term compliance behaviour in the prosecuted individual. This paper examines these assumptions by relating tax return data to the outcomes of court cases of prosecuted individuals. The results show that prosecutions were only moderately successful in obtaining lodgment and that lodgment rates (for prosecuted taxpayers) reduced significantly in subsequent years. Nevertheless, these lodgment rates were still three to four times greater than those of taxpayers who were selected for prosecution but did not receive the summons issued to them. There were also reasonable levels of lodgment when a summons was withdrawn at the request of the taxpayer, suggesting that a full prosecution is not required in every case. The results also show that a large fine is linked to lower levels of lodgment.