

Abstract

As a follow-up to the study reported in the Centre for Tax System Integrity's Working Paper No. 11 (Taylor & Wenzel, 2001), the study reported in this paper investigated rental income declared and rental deductions claimed by taxpayers who were required to complete a *Rental Property Schedule (a schedule)*. Rental income, rental deductions and net rent were compared between self-preparers using e-tax to lodge their tax return electronically (who completed a schedule as part of their electronic return), paper lodgers (who were sent a schedule by the Australian Taxation Office (Tax Office) and required to return it) and a control group (who did not complete a schedule). The goal of this investigation was to assess whether the effect of the schedule on paper lodgers (significantly less rental deductions claimed) was due to being personally targeted by the Tax Office to complete and return the schedule ('The Tax Office is watching me'). If the effect was not due to being personally targeted (deterrence effect) but perhaps due to greater informational assistance, the schedule (and similar schedules in other tax-related domains) could perhaps be included in *TaxPack* as a cheap and convenient alternative to sending out individual schedules.

The results showed that rental property owners who lodged on paper and were asked to return a completed schedule declared significantly more gross rental income, claimed significantly less rental deductions and declared significantly more net rent than did rental property owners who lodged electronically via e-tax and completed a schedule by default; however, the electronic lodgers did not differ from the control group on these variables. These results suggest that the effect of the schedule is due to being personally targeted, indicating that the inclusion of the schedule in *TaxPack* may not achieve the same results as sending it out individually to taxpayers. However, because the electronic lodgers in this study were not randomly selected from the same population as the paper lodgers, it is possible that a number of confounding variables may have led to the differences found between these two groups of lodgers. E-tax (electronic) lodgers were found to possess significantly different characteristics from non-electronic lodgers (they were younger, lodged earlier and had higher taxable incomes). Further, it is suggested in the discussion that lodging electronically (in and of itself) may result in perceptions of decreased accountability which do not exist for paper lodgers and that, for this reason, electronic lodgments should be further investigated.