

Abstract

During the 1990s, Australian taxpayers who invested in mass marketed tax schemes enjoyed generous tax breaks until the Australian Taxation Office (Tax Office) told them in 1998 that they abused the system. This paper examines the circumstances surrounding the decision of taxpayers' to invest in scheme arrangements, and investors' perceptions of the way the Tax Office dealt with the schemes issue. In addition, this paper explores why such a large number of investors have chosen to defy the Tax Office's demands that they pay back taxes. Data were taken from interviews conducted with 29 scheme investors, and four non-investors, living in the Goldfields region of Western Australia. Consistent with the procedural justice literature, the findings revealed that many scheme investors chose to defy the Tax Office's request that they pay back tax because they perceived the procedures that the Tax Office used to handle the situation as unfair. The implications of these findings are discussed and possible solutions for how the Tax Office might prevent a re-occurrence of the situation in the future are proposed.