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Perceptions of tax and participation in the cash economy: Examining the role of motivational postures in small businesses

Nathan Harris & Jason McCrae



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**PERCEPTIONS OF TAX AND PARTICIPATION
IN THE CASH ECONOMY:
EXAMINING THE ROLE OF MOTIVATIONAL
POSTURES IN SMALL BUSINESSES**

Nathan Harris and Jason McCrae

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

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The Centre for Tax System Integrity (CTSI) is a specialised research unit set up as a partnership between the Australian National University (ANU) and the Australian Taxation Office (Tax Office) to extend our understanding of how and why cooperation and contestation occur within the tax system.

This series of working papers is designed to bring the research of the Centre for Tax System Integrity to as wide an audience as possible and to promote discussion among researchers, academics and practitioners both nationally and internationally on taxation compliance.

The working papers are selected with three criteria in mind: (1) to share knowledge, experience and preliminary findings from research projects; (2) to provide an outlet for policy focused research and discussion papers; and (3) to give ready access to previews of papers destined for publication in academic journals, edited collections, or research monographs.

Abstract

A significant concern of the Australian Taxation Office (Tax Office) in recent years has been to combat the cash economy. In order to do this the Tax Office has developed the ATO Compliance Model which is based upon the theory of responsive regulation (Ayres & Braithwaite, 1992). It is recognised within this framework that the willingness of tax payers to voluntarily comply with their tax obligations is critical for the tax system to operate efficiently. This has meant that understanding taxpayers attitudes toward the tax system is important both for engendering voluntary compliance and for framing responses when non-compliance is detected. These issues are of particular concern in relation to small businesses and especially so in those industries that are perceived as being high risk (Cash Economy Task Force, 2003). A qualitative study was conducted in which used car dealers from the Canberra region were interviewed about their attitudes towards participating in the cash economy. Particular attention was paid to exploring their attitudes towards the tax system, through the concept of motivational postures (Braithwaite, 2003), and the way in which these postures relate to self-reported participation in the cash economy and perceptions of the Tax Office.

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Introduction

A significant concern of the Australian Taxation Office (Tax Office) in recent years has been to combat the cash economy. In order to do this the Tax Office has developed the ATO Compliance Model which is based upon the theory of responsive regulation (Ayres & Braithwaite, 1992). It is recognised within this framework that the willingness of tax payers to voluntarily comply with their tax obligations is critical for the tax system to operate efficiently. This has meant that understanding taxpayers attitudes toward the tax system is important both for engendering voluntary compliance and for framing responses when non-compliance is detected. These issues are of particular concern in relation to small businesses and especially so in those industries that are perceived as being high risk (Cash Economy Task Force, 2003). A qualitative study was conducted in which used car dealers from the Canberra region were interviewed about their attitudes towards participating in the cash economy. Particular attention was paid to exploring their attitudes towards the tax system, through the concept of motivational postures (Braithwaite, 2003), and the way in which these postures relate to self-reported participation in the cash economy and perceptions of the Tax Office.

Background

Responsive regulation and the ATO Compliance Model

The Australian Tax Office's Compliance Model (ATO Compliance Model), which is based upon the theory of responsive regulation (Ayres & Braithwaite, 1992; Braithwaite, 2003) recognises that individuals respond in different ways to the regulatory responses that authorities use. While traditional-formalistic models of regulation place an emphasis on predetermined responses to non-compliance, research such as Kagan and Scholtz's (1984) study into corporations, shows that individuals don't comply for a variety of reasons. Interventions that a regulatory agency can bring to bear on an individual are thus likely to have different effects on their future ability or willingness to comply. This variation

between actors in the regulatory field is taken into account by responsive regulation, which argues that authorities should be responsive to the way in which people behave in deciding what kind of interventions are required. Rather than applying predetermined interventions based upon the type or level of non-compliance, authorities need to take into account the individual's willingness to move towards compliance. An important characteristic of the model, which is expressed through the regulatory pyramid, is the presumption that authorities should first try the least intrusive and least coercive interventions and only if these do not work then move up to more and more coercive mechanisms for achieving compliance. It is argued that this strategy maximises the effectiveness of regulation. The presumption that individuals should be treated as responsible and capable, communicates respect and procedural justice which in itself increases the likelihood of compliance. This is supplemented by the threat of increasing penalties which places pressure on individuals to comply with regulatory demands and hence remain at the bottom of the pyramid.

Motivational postures

A recent approach which attempts to explain variations in the way that individuals respond to regulatory demands has emphasised understanding the social relationship between individuals and an authority. This theory (Braithwaite, 2003), which was initially developed from research on nursing home regulation (Braithwaite, Braithwaite, Gibson & Makkai, 1994; Braithwaite, 1995), argues that it is important to understand the underlying beliefs or attitudes which underpin or justify the individual's motivation to comply or not comply with regulatory demands. While these belief structures are not expected to be strong predictors of compliance in any specific instance, what they indicate to regulators is the more general health of the regulatory system, for example, whether those who are regulated perceive the system as having legitimacy or whether there is a growing level of defiance towards its authority (Braithwaite, in preparation). These underlying beliefs are understood within a framework of motivational postures which are defined as '... a set of beliefs and attitudes that sum up how individuals feel about and wish to position themselves in relation to another social entity, in this case a tax authority' (Braithwaite, in preparation). An important characteristic of these postures is that they communicate the degree of social distance (Bogardus, 1928) that an individual wishes to

place between themselves and the regulatory institution. Social distance in this context refers to the degree to which individuals align themselves with that institution: the degree to which they accept it as a legitimate authority and accept its regulatory goals.

Five postures are identified by Braithwaite (2003) in the context of taxation. The posture which indicates the greatest alignment is called *Commitment*, in which the individual believes in the desirability of the tax system and feels obliged to pay their tax. *Capitulation* represents a motivational posture in which the individual believes the Tax Office is the legitimate authority and that it will act benignly. In contrast to these two positive postures *Resistance* involves beliefs that the Tax Office isn't cooperative and benign and a desire to resist it where possible. *Disengagement* involves even greater disenchantment with the Tax Office such that the individual seeks to disengage entirely rather than challenging its authority. A final posture identified in the tax context is *Game Playing*. This posture involves the belief that tax law should be manipulated to advance the individual's self interest as it does not represent any kind of moral claim over one's behaviour. An important characteristic of these postures is that they are not seen as being static. Individual's motivational postures towards a particular authority can vary over time and across contexts. While the motivational postures were originally developed and tested in the field of nursing home regulation (Braithwaite, et al., 1994; Braithwaite, 1995) they have also been explored in the field of taxation. Using a large quantitative sample Braithwaite and Reinhart (2001) used factor analysis to confirm that the five postures provided a good description of taxpayers attitudes, and Braithwaite (2003) has found that the postures are significant, if fairly weak, predictors of tax compliance.

Procedural justice

Another perspective which emphasises the relationship between the individual and the authority is procedural justice theory (Tyler, 1990). This theory argues that social institutions are more likely to gain compliance if they are perceived by people as legitimate and that this in turn is influenced by the degree to which people perceive their procedures to be fair. Evidence suggests that while individuals are concerned with the degree to which outcomes favour them, they are equally or more concerned that the way in

which decisions are made is fair. For example, that the decision was not made on the basis of some bias or that they had an adequate chance to present their point of view to the decision making authority. Tyler has argued that procedural justice confers legitimacy on institutions because it expresses respect for the individual (Lind & Tyler, 1988). Because individuals are motivated to belong to groups in which they can have pride and in which they are respected, this communication of respect is likely to increase the degree to which the individual identifies with that institution. In Braithwaite's (2003) terms, procedural justice should decrease the social distance between the individual and the institution, such that they adopt more positive motivational postures towards the institution. The relationship between procedural justice and increased compliance has been supported by a number of studies on taxations (Falkinger, 1995; Murphy, 2003; Murphy, 2004; Wenzel, 2002) as well as in other domains where compliance is a concern (Tyler, 1990, Tyler & Huo, 2002).

Used car dealers and perceptions of the tax system

Research which examines the role of motivational postures in relation to compliance with tax obligations has to date been conducted using large quantitative samples (Braithwaite, 2003). While this research suggests that the postures are useful in describing the way that tax payers think about the tax system no research has been conducted to examine whether the motivational postures can be identified in qualitative interviews. Doing so is important for a number of reasons. At the theoretical level it is useful to examine whether the postures can be identified in the narratives of individuals in the same way that they can using statistical techniques, such as factor analysis. Such an analysis might lead to refinements in both the way that the postures are understood and the way that they are measured. A second reason for examining the motivational postures using a qualitative methodology is that this represents the way in which Tax Officers are most likely to encounter the postures. Thus, central questions for the study are whether the motivational postures can be identified in the interviews and how they are expressed in this context. Additional questions that are raised by previous research concern the relationship between the motivational postures, compliance with tax requirements (in this case engaging in the cash economy), and perceptions about the fairness of the tax system.

In order to examine beliefs about tax and compliance, interviews were sought with managers or owners of used car dealerships in the Canberra region between January and March 2004. The used motor vehicle industry was chosen for this study because it represented an industry which the Cash Economy Task Force (2003) had identified as being at high risk of cash economy practices. This suggests that this is an important area in which to understand the attitudes of small business people about taxation and their perceived relationship with the Tax Office.

A sample of dealerships was obtained from selected areas in the Australian Capital Territory (ACT) and neighbouring towns in New South Wales (NSW) where used car dealerships are most prevalent. The areas selected were from the suburbs of Belconnen, Braddon, Fyshwick, Phillip and Tuggeranong in the ACT and Queanbeyan and Yass in regional NSW. Each dealership in these areas was approached by a researcher who requested an interview with the Manager. Potential interviewees were not contacted prior to being approached as it was deemed that arranging appointment times was likely to increase the refusals rate and self-censoring. On meeting the manager, the researcher introduced himself as from the Australian National University (ANU), provided an ANU business card by way of introduction, and asked if they would be willing to answer some questions about their opinions of the Tax System. Potential interviewees were advised that the interviews would be completely anonymous.

In total, 36 dealerships were approached as part of the study. Of these, 18 dealerships refused to take part in the study, which resulted in a participation rate of 50 percent. A large number of managers (16) refused at the outset, while three others terminated the interview part way through. Two of these interviews were terminated at a very early stage and thus were excluded from the analysis, while the third interview (interview 5) contained enough material to be included in the sample. Reasons for refusal were most frequently that the dealership or manager was 'too busy'. The other reason for interview refusal appeared to relate to suspicion regarding the interview with, for example, one respondent saying 'that's not for us' and another stating 'no this will only come back to bite us on the bum'.

The interview itself consisted of open-ended questions regarding the manager's beliefs regarding the Australian Tax System, the Tax Office, the Goods and Services Tax (GST) (which had been introduced in mid-2000), and how the dealership handled tax issues. Questions about the used car dealership's tax behaviour included questions on their use of agents, their sources of information about tax issues, and their participation in the cash economy. Interviews were not recorded to encourage an environment where participants did not feel the need to self-censor their opinions. Interviews ranged in time from ten minutes to three hours.

Identifying the motivational postures in used car dealer's stories

The first question that was addressed in the analysis was whether the motivational postures could be consistently identified in the interviews. An initial inspection confirmed that they were a rich source of statements that represented different attitudes towards the tax system. In itself this would seem to confirm that a strength of using motivational postures is that they are readily accessible to researchers or regulators. Having identified the presence of these attitudes the next step in the analysis was to see whether they were consistent with the five postures that had been identified in previous work. As might be expected, given that these postures have only been employed in large quantitative studies so far, a number of issues regarding the conceptualisation of these postures became apparent. In particular, the coding process revealed a number of ambiguities in the way that postures are defined and the distinctions between them.

One of these ambiguities involved the distinction between the postures of Resistance and Disengagement. The definition of Resistance suggests that the posture involves doubt about the intentions of the Tax Office as well as a '... rhetoric to fight for their rights, and to curb tax office power' (Braithwaite, 2003). In the interviews a number of statements express discontent with aspects of taxation, which matched the first component of the definition, but none of the respondents expressed the desire or intention to explicitly take on the Tax Office. In other words our sample expressed quite a degree of dissatisfaction but was not militant in any sense. Resistance was expressed by these small business people through outlining the ways in which they thought the system was unfair. However, coding

Resistance in this way meant that the category converged with Disengagement, which is defined as a broad dissatisfaction but also as one in which individuals do not see any point in challenging the authority. The desire to resist the Tax Office did not distinguish these postures in our sample because neither Resistance nor Disengagement was characterised by statements which indicate that individuals had the desire to actively defy the Tax Office. Instead, it seemed that Disengagement was distinguished by a much more generalised contempt for the whole system. For example, one participant expressed this quite succinctly, though less colourfully than others, by simply saying ‘I’m sick of the government’ (interview 19). The feeling expressed by this interviewee in reference to the GST was that government did not even intend for the system to be fair, particularly for small business, and that he should have ‘... sold the business before the GST came in’. Thus, Dissociation appeared to be distinguished from Resistance in our interviews by a much more generalised disenchantment with the system that conveyed a sense of hopelessness or giving up.

Distinguishing between positive responses towards the tax system was more straightforward, though Capitulation, and to some extent Commitment, seemed to exist in many of the interviews as underlying attitudes rather than being expressed by participants. Expressions of Commitment towards the tax system were noted in 10 of the 17 interviews and were all characterised by instances in which the participant explicitly referred to the benefits of the tax system. For example, one dealer said that they were very happy that their tax went to schools, roads and other services and that they had ‘no time’ for tax avoiders (interview 3). In these cases the respondent thought it important enough to explicitly indicate their support for a tax system, though we felt that in many other interviews this sentiment was simply left as an underlying assumption. Capitulation is defined as acceptance that the Tax Office is a legitimate and benign authority. However, this posture was generally articulated as a grudging acceptance of tax as being part of life, through statements such as ‘basically its there’ (interview 21) or the government has ‘gotta get money somehow’ (interview 2). These expressions centred more on the feeling that the tax was accepted, without any particular justification, as a fact of life that the individual did not even think about resisting. Legitimacy of the Tax Office was much more implicit or unconscious rather than an explicit part of this cognition.

The last posture of Game Playing was a dominant narrative in only one of the interviews. While the postures of Resistance and Disengagement were characterised by frustration with some (or all) aspects of taxation, Game Playing was obviously different because these participants did not feel restricted by the system, but rather suggested that it was reasonable to actively circumvent it through the use of strategy. In the one case (interview 4) that Game Playing was a dominant posture along with Disengagement, the participant listed a number of strategies which they thought could be employed so as to operate in the cash economy without being detected. Another case (interview 21) in which Game Playing was coded as being a secondary posture was one in which the participant simply referred to the fact that there were ‘lots of little loop holes that the accountant gets you around’. It was much less clear in this case whether the participant considered this an appropriate way of operating and they generally considered that there was not much advantage in being part of the cash economy.

This analysis of the interviews suggested that it was possible to identify and distinguish each of the motivational postures in this sample and that they provided a useful organising structure for the attitudes that individuals expressed about taxation. The way in which the postures were defined and the number of interviews in which each posture was identified are presented in Table 1.

Table 1: Operational definitions of the motivational postures and the number of interviews in which they occurred

Motivational Postures	Number of Interviews N = 21
<u>Commitment</u> : Expressions communicating the benefits of taxation and thus indicating support for it.	10
<u>Capitulation</u> : Expressions communicating that taxation exists in society and has to be accepted by the individual.	6
<u>Resistance</u> : Expressions that communicated dissatisfaction about some aspect of the tax system (usually a complaint about fairness of the system).	16
<u>Disengagement</u> : Expressions that communicated a general disenchantment with the whole system (often the whole of government).	2
<u>Game Playing</u> : Expressions that communicated a willingness to circumvent the tax system using strategy.	2

Making sense of multiple postures

It was evident in many of the interviews (15 of the 18 interviews) that respondents expressed attitudes that were indicative of more than one of the motivational postures. For example, one participant voiced strong support for taxation because it provides funding for schools and hospitals, which is consistent with the posture of Commitment, but was also angry because they felt that tax money wasn't being used to fund sufficient pensions for the mechanics and salesman who worked for the business (interview 1). This dissatisfaction with the tax system was interpreted as indicating a degree of Resistance. In many of these interviews it was apparent that one posture was more dominant than others which might have been expressed, so in many cases it is useful to distinguish between the primary postures that were expressed and those that were secondary (See Appendix 1). Nevertheless, the interviews suggest that attitudes towards taxation are multi-faceted. Even those who expressed Commitment towards taxation were likely to express some Resistance towards some aspects of tax policy, and conversely those whose stories were dominated by Resistance, and even Disengagement, often held views that implied an acceptance of the value of taxation. This is consistent with the theory that motivational postures are dynamic across social contexts, rather than fixed categories in which individuals can be placed (Braithwaite, 2003). While this research did not examine motivational postures in more than one social context or across time, it does illustrate how individual's can simultaneously hold different postures towards different aspects of taxation.

In addition to showing that many of the interviews involved more than just one motivational posture it was also evident that some combinations of postures are particularly frequent. In particular, nine of the 17 participants experienced some combination of Commitment and Resistance. Thus the most common response was support for a general notion of taxation but disillusionment at how certain aspects of tax law are implemented. In many respects these responses should be expected and welcomed by those interested in tax compliance, as it suggests that there is a reasonable level of underlying belief in the value of taxation amongst those interviewed. Obviously, discontent with specific aspects of the way taxes are collected or used was greatest amongst those for which Resistance was the primary posture. The second combination of postures that

occurred somewhat frequently is Capitulation and Resistance, which was evident in four of the interviewee's stories. Again this response might be seen as quite normal. The narratives of these individuals suggests that they acquiesced to fulfilling their tax obligations without any particular moral underpinning, but again many of them had grievances with the way in which tax was collected. A final combination of postures worth mentioning were the combination of Disengagement and Resistance, which were simultaneously held by three of the interviewees, though in only one case was Disengagement the primary posture. Obviously these small business people had very low opinions of the tax system and highlighted numerous areas which they thought the system was unfair. However, the implication of the overall pattern of postures within participant's stories is that most interviewees expressed both positive and negative attitudes towards tax. What may be most important for tax administration is understanding the balance of these competing beliefs as well as understanding the reasons for Resistance and Disengagement.

Motivational postures and participation in the cash economy

Having identified the motivational postures in this sample some tentative observation might be made about their relationship to participation in the cash economy. Any observations should be considered as tentative because a small qualitative study such as this one can only provide some insights that would need to be tested in future research. One issue which confronts a study of this nature is that the measure of compliance is based on self-reports. Although not unusual, it needs to be acknowledged that the results thus may represent an inaccurate picture of participation in the cash economy, because of factors such as the participants being suspicious of what the interviewer might do with the information or simply because they felt uncomfortable about revealing their non-compliance. A second issue is that the low number of subjects and low level of non-compliance mean that it is difficult, if not impossible, to assess the relationship between the motivational postures and participation in the cash economy with any certainty. While quantitative analysis is able to detect fairly small effects in large samples, moderate effects are harder to isolate on a case by case basis and may be an artefact of the particular sample that was chosen.

Despite these issues it was apparent that five of the used car dealers indicated that they participated in the cash economy, albeit for the most part on a very minor scale. Four of these suggested that the activity was at the very margins of their business, for example one said that they might pay kids some cash to wash some cars (interview 10) and another said that they might pay for some gardening in cash (interview 14). Only one of the participants suggested that they might be more actively involved in the cash economy and even then it was clear that most of the business was declared. When the motivational postures of these five participants were examined it was apparent that four reported Resistance as a primary motivational posture while the fifth reported Disengagement and Game Playing as being their primary motivational postures. Thus, in this sample operating in the cash economy appears to be a good predictor of negative postures towards taxation. However, when the whole sample is taken into account the relationship is much more tenuous, as there are seven other participants who reported Resistance as being their primary motivational posture, yet who did not report engaging in the cash economy. While non-compliance seems to predict low tax moral, compliance is associated with a broad range of motivational postures. This finding would seem to be consistent with the weak to moderate relationship found in previous research (Braithwaite, 2003), and suggests that low tax moral is indicative of non-compliance but that it is certainly not a sufficient condition. The use of motivational postures to identify non-compliant taxpayers in this sample would lead to a very high rate of false positives.

Given the tenuous relationship between motivational postures and compliance the interviews were also examined to see if used car dealers gave more specific reasons as to why they operated either inside or outside of the cash economy. Unlike the motivational postures there are surprisingly little variations in these accounts. Most of the dealers claimed that the reason why they did not operate in the cash economy was either because there was no opportunity to do so, because they were deterred by the risk of being caught, or a combination of both. Although there was some dissent, a large number of the dealers said that there was very limited opportunity to operate in the cash economy simply because people didn't use cash much. A second reason for limited opportunity was the fact that most dealers operated on highly computerised systems which meant that all the transactions were recorded. Deterrence was also nominated by a number of dealers who

clearly felt that there was the possibility of being caught by the Tax Office or through police checks. In total 14 of the 17 managers who gave a reason nominated either deterrence and/or opportunity. In addition to these reasons, three car yards said that they didn't participate in the cash economy because they wanted to protect their reputation, while only one nominated an ethical reason for complying. These results were surprising because they had no relationship to the minor non-compliance that occurred, and because they did not reflect the motivational postures that individuals had expressed. Even those who expressed a level of Commitment towards the principles of paying tax were more likely to ascribe compliance to these very practical reasons than to any ethical concerns that one might have assumed given their overall attitude towards the tax system. This disjunction between the reasons given and postures suggests responses to the simple question of why compliance is given or withheld masks the underlying strength of the relationship between the individual and an authority: perceived legitimacy of the regulatory framework, as identified by Bogardus's notion of social distance, remains hidden.

Explaining motivational postures

Procedural justice versus legitimacy

If motivational postures represent the strength of the relationship between individuals and a regulatory authority then an important predictor of these postures should be the degree to which the authority is perceived as procedurally just. Tyler's (1990) theory of procedural justice argues that individuals are just as concerned with how decisions are made by authorities as they are with the final outcomes. It is argued that factors such as having the chance to explain themselves, feeling that the process wasn't biased or prejudiced, and that decisions are made on the basis of accurate information increase perceptions that the authority has legitimacy and increases voluntary compliance. As discussed in the introduction, these claims have received empirical support in a number of contexts so it was expected that perceptions of fairness by the Tax Office would be an important factor in determining individuals' motivational postures.

However, this expectation was not fully borne out in the interviews. Even though dealers were explicitly asked about the Tax Office and its practices, opinions about its behaviour were surprisingly muted. A majority of the dealerships had either no or very low levels of contact with the Tax Office, because their tax was handled by an accountant, and consequently many (ten) had no opinion on how the Tax Office behaved. Of the other eight participants seven described the Tax Office's practices in positive terms, while only one thought that they were unfair. Among these respondents there appeared to be a modest relationship between perceptions of fairness and motivational postures. As Table 2 shows, there was reasonable overlap between those respondents who felt that the Tax Office was fair (seven respondents) and who expressed Commitment as a primary posture towards the tax system (five respondents). This relationship is not perfect with two of the respondents feeling that the Tax Office was fair yet also having resistance as a primary motivational posture. While these results suggest that perceptions of fairness are often associated with positive tax moral the overall sample suggests that procedural justice plays a fairly minor role in determining the postures that individual's hold, for the simple reason that most individuals had no opinions about fairness.

Table 2: Perceptions of procedural justice cross-tabulated with primary motivational postures

Procedural justice (no. participants)	Commitment	Capitulation	Resistance	Disengagement	Game Playing
Fair (7)	5	1	4		
Unfair (1)		1	1		
No opinion (10)	2	2	7	1	1

Failure to find a strong overall relationship between perceptions of procedural justice and the motivational postures does not indicate that perceptions of fairness were not important to the dealers. Expressions of Resistance, which were relatively common in the sample, primarily concerned complaints about the fairness of tax collection or fairness of the way in which tax monies are used by Government. However, these differ in two ways from what we might have expected based on procedural justice theory. The first is that questions of fairness were primarily expressed as concerns with distributive fairness, how much tax is taken from whom, rather than with how fair the procedure was. For example, a number

of the participants felt the GST was an unfair tax because it was in addition to other taxes and described it with terms such as 'daylight robbery' (interview 17) and 'a rort on the Australian public' (interview 15). Another concern with distributive justice that was apparent in a number of the interviews was how tax money was ultimately used by government. For example one participant complained that 'Politicians spend money to keep themselves in power and just line their own pockets' (interview 7).

These quotes are representative of the way in which respondents' narratives were concerned with the outcomes of tax policy, but also the second characteristic of these narratives which is the failure to distinguish the components of government. A possible reason why the Tax Office and its procedures were not perceived as relevant to majority of respondents is that many did not seem to distinguish the role of the Tax Office from broader government. Most of the respondents when asked about tax were concerned with decisions made by the government. Even where the distinction between the Tax Office and political apparatus was made interest was primarily in the government. As one respondent said 'the ATO cannot make decisions on taxation as they are hamstrung by the government' (interview 3). Thus in these cases the motivational postures held by individuals towards taxation seemed to be more closely related to broader evaluations they held about the government policy on taxation than they did to the procedures of the Tax Office. In the more extreme cases of Disengagement this evaluation of the government seemed to express a complete loss of hope in the fairness of government. As one participant said, 'The tax system is shit - it doesn't look after small business ... all politicians are there just to line their own pocket' (interview 19).

Motivational postures and threat

An important theme running throughout the interviews were complaints that businesses had with aspects of the tax system that were perceived as harming their business. One which was mentioned by quite a number of the participants concerned the introduction of the GST. This was seen as unfair because it is paid in addition to existing taxes, and was thus interpreted as 'double dipping' (interview 17), and because it does not apply to private sales. While these complaints were not unanimous they did represent the core of

complaints of those who expressed Resistance and Disengagement towards the tax system. If motivational postures represent individuals attitudes and beliefs about a regulatory system is unsurprising that they may also reflect the substantive difficulties experienced by businesses. This was underlined by the fact that a number of the dealers perceived that the GST combined with other factors was a threat to their businesses. In particular, it was a number of the smaller yards who suggested that the combination of low interest rates, the government's use of auction houses to sell cars, taxation, and other changes in the economy were forcing them out of business. As one emotional respondent said:

Its like I'm the local milk bar and the [big dealerships] are the Woolworths and the Safeways ... We [the small dealerships] used to go up there [to the large dealerships] and we'd be swarming round their yard like ants! Like ants! But not anymore. The big guys keep all the cars now. There are no scraps for us ants. (interview 15).

Another respondent suggested that the smaller yards would only survive for three years before they would be pushed out by the bigger car yards. Interestingly, of the six participants who expressed Commitment as a primary posture four worked for large dealerships that also sold new cars, one worked for a consignment centre (that auctioned government cars), while only one worked for a smaller used car dealership (which placed a strong emphasis on being a 'family' business). Among the rest of the participants only two others worked for large factory dealerships, and one of these expressed Capitulation as a primary posture.

While the relationship between size of dealership and motivational posture is not perfect it would seem that managers from the larger dealerships had a more positive tax moral. This finding is consistent with a study by Braithwaite, Murphy & Reinhart (forthcoming) which found that lower tax moral was positively related to the perceived threat of taxation. This would suggest that motivational postures are influenced directly by the threat that taxation poses. The result might also reflect the personal circumstances of those who were interviewed. Kirchler (1999) found that small business people who had owned their business for a shorter period of time experienced greater feelings of loss of freedom as a consequence of having to fulfil their tax obligations, possibly because they perceived it as

a greater threat to their own livelihood. Thus, it might be that managers who were employees in larger yards felt less threat to their own income by taxation that was applied to the business, and so were more positive towards the tax system.

Conclusion

Interviews with used car dealers suggest that the motivational postures provide a useful structure with which to understanding the way that small businesses think about the tax system. The interviews with used car dealers show that the postures are readily accessible in interviews and that it was possible to locate opinions about the tax system within the five postures that have previously been identified (Braithwaite, 2003). Furthermore, analysis of individuals opinions about the tax system in this way seemed to provide a much richer insight into the relationship between individuals and the Tax Office than, for example, the reasons that were given for not engaging in the cash economy. An important characteristic of the motivational postures evident in these interviews is that individuals' relationships with the tax system are often multi-faceted. Many of the interviews showed that respondents held multiple postures towards the tax system, to the extent that individuals could feel Commitment towards some aspect of it while Resistance towards others. This supports the idea that the motivational postures are responsive to the context in which they occur, rather than representing fixed characteristics of individuals. The flexible nature of individual's attitudes towards the tax system is also borne out through the relationship between the postures and compliance found in this sample. While all of those who reported some participation in the cash economy had low tax moral (Resistance and Disengagement) so too did many of those dealers who reported having no participation in the cash economy. It might be concluded that motivational postures are indicative of the individual's broader relationship with the tax system rather than a direct indicator of their willingness to comply or not comply with their tax obligations.

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Appendix 1: Summary of the Interviews with Use Car Dealers^{*}

No.	Type of dealer ¹	Contact with Tax Office	Procedural Justice	Primary M.P. ²	Other M.P. ²	Participation in Cash economy	Why not in C.E. (or to a greater extent)	Threat to business
1	FD	none	no opinion	Com, Res		no	Opportunity	None
2	FD	high	very fair	Com	Cap	no	Moral	None
3	UC	low	fair	Com	Res	no	Reputation, Opportunity	None
4	UC	none	No opinion	Dis, G.P.	Res	moderate use implied	Deterrence	None
5	UC		unfair	Res				
6	UC	none	no opinion	Res	Com, Cap	no	Opportunity / Deterrence	Low
7	FD	none	no opinion	Res	Com	no	Opportunity/ Deterrence	None
8	FD	low	fair	Com	Res	no	Opportunity	None
9	UC		fair	Com, Res	-	no	Opportunity, Reputation	None
10	UC	none	fair	Res	-	minor (washing cars)	Opportunity.	High
12	FD	some	fair	Com, Res	-	minor - implied	Opportunity	Low
13	UC	none	no opinion	Cap	-	no	No advantage to business	
14	CC	low	no opinion	Com, Res	-	minor (gardening)	Opportunity, Deterrence,	
15	UC	high	no opinion	Res	Com	minor (petrol)	Convenience Deterrence	High
17	UC	high	very fair	Cap, Res	-	no	Opportunity	No
18	UC	low	no opinion	Res	Cap	no	Opportunity/ Deterrence	Medium
19	UC	low	no opinion	Res	Dis	no	Opportunity/ Deterrence	None
21	FD	low	no opinion	Cap	Res, G.P.	no	Reputation	low

^{*} Cells where the information is unknown have been left empty.

¹ UC: used car dealership, FD: Factory Dealership (larger dealerships that also sold new cars, CC: Consignment Centre (that auctions cars).

² Motivational postures (Com: Commitment, Cap: Capitulation, Res: Resistance, Dis: Disengagement; G.P.: Game Playing).

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