

Centre for Tax System Integrity

Working Paper 80 – Perceptions of tax and participation in the cash economy: Examining the role of motivational postures in small businesses

This paper reports a qualitative study conducted amongst used car dealers from the Canberra region were interviewed about their attitudes towards participating in the cash economy. The study paid particular attention to exploring their attitudes towards the tax system, their motivational postures, and the way in which these postures relate to self-reported participation in the cash economy, and their perceptions of the compliance efforts of the Tax Office.

The interviews suggested 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.