

## Abstract

The How Fair, How Effective Survey – The Collection and Use of Taxation in Australia (HFHES 2005) was designed as a follow-up survey to the Community Hopes, Fears and Actions Survey (CHFAS 2000) conducted in 2000 and the Australian Tax System – Fair or Not Survey (ATSFONS 2002) conducted in 2002. The ATSFONS 2002 was sent to all those who had returned CHFAS 2000 questionnaires and ATSFONS 2002 questionnaires, and who had not asked to be withdrawn from the sample after completing the ATSFONS 2002. Of the 2740 sampled, 2261 were contactable at the mailing address we had for them and were in sufficiently good health to take part. Of this contactable sample, completed questionnaires were received from 1146 (51%). This working paper presents the breakdown of responses to each of the questions in the HFHES 2005. In addition, information is provided on the social demographic profile of those who had completed the surveys in 2000 and 2002, but dropped out of the 2005 survey either because they refused or because they could not be contacted. Finally, this working paper reviews some key findings from the sample of 509 respondents who completed all three surveys, the CHFAS 2000, the ATSFONS 2002, and the HFHES 2005. This set of panel data provides information on Australians' views of the tax system and its administration that have prevailed in the first 5 years of tax reform. Despite some biases in the socio-demographic makeup of the panel sample, there is no evidence that the views of this panel are at odds with those of the larger cross-sectional samples.

The review shows most Australians expressing high levels of tax morale in so far as they were committed to the idea that everyone should pay their taxes honestly. They took pride in being an honest taxpayer, and their preference was for a tax agent who would do their tax for them honestly and without fuss. There was less overwhelming support, however, for the administration of the tax system and the use of tax dollars. The percentage of Australians who expressed trust in the Australian Taxation Office (Tax Office) to act on behalf of all Australians was just over 50% with a drop of 10 percentage points from 2002 to 2005. A similar drop was found in the percentage of Australians who had a clear understanding of what the Tax Office expected of them as taxpayers (from 48% to 38%). Around 40% doubted that the Tax Office had the power to deal effectively with high wealth individuals and large corporates who do not pay their tax, but the number dropped to less than 10% when considering Tax Office power over taxpayers of more modest means. From an administrative perspective, adherence to the principles of the *Taxpayers' Charter* (at least most times) was acknowledged by just over 70% of taxpayers, with an increase of 8 percentage points over the five-year period of the research. Just over 70% were satisfied with the decisions of the Tax Office in relation to their own tax affairs in 2000, but this fell to just over 50% in 2002 and 2005. In terms of the impact of tax on lifestyle, around 40% expressed the view that paying tax was holding them back from achieving in life, around 30% preferred to pay less tax and receive fewer services, and around 20% were satisfied with the way in which the government spent taxpayers' money. Over the period of the research, there seemed to be an upward trend in interest in financial planning in order to reduce tax. The gap that is developing between Australians' aspirations for the tax system and actual outcomes presents a challenge for the Tax Office if it wants a sustainable voluntary taxpaying system that involves the general community.